INDIANA PENSION HANDBOOK

Indiana Legislative Services Agency
Office of Fiscal and Management Analysis

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PREFACE

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INTRODUCTION

The purpose of this book is to give the user an understanding of the operation of public pension funds in Indiana, and the retirement, survivor, and disability benefits available from those funds. The book will also provide valuation information for certain funds. In addition, the book includes a glossary of terms commonly used in discussions concerning pension funds. Each public pension fund is listed separately along with information concerning the benefit levels and eligibility standards of that particular fund. The account numbers for each fund's benefits have also been identified. Finally, the names, addresses, and phone numbers of the directors of the various funds are listed. The book reflects changes made in the public pension funds through the 2004 session of the General Assembly.

PLEASE NOTE: This book is not intended to be used for legal or investment advice or for tax planning purposes. For specific questions, a fund member should consult with the member's attorney or financial advisor or contact the public pension fund involved.

There are six major retirement systems in Indiana: (1) the Public Employees' Retirement Fund (PERF); (2) the Indiana State Teachers' Retirement Fund (TRF); (3) the State Police Benefit System; (4) the Judges' Retirement System; (5) the Prosecuting Attorneys Retirement Fund; and (6) the Legislators' Retirement System. The state also appropriates money to two other retirement plans: (1) the State Excise Police and Conservation Enforcement Officers' Retirement Fund; and (2) the Governor and Surviving Spouses Pension Fund.

The four major Indiana pension funds for local public safety officers are: (1) the 1925 Police Pension Fund; (2) the 1937 Firefighters' Pension Fund; (3) the 1953 Police Pension Fund (Indianapolis); and (4) the 1977 Police Officers' and Firefighters' Pension and Disability Fund. These plans are funded by the local government units employing the public safety officers and by contributions made by those officers. In addition, the state appropriates money to the Pension Relief Fund to assist municipalities in paying for their local police officers' and firefighters' pensions.

Finally, many counties have established and funded pension trust funds for the county sheriff and sheriff's department employees.

PUBLIC EMPLOYEES' RETIREMENT FUND (PERF)

IC 5-10.2, IC 5-10.3
TRUST ACCT. NO. 6520-107400

The Public Employees' Retirement Fund (PERF or Fund) was established to provide retirement, disability, and survivor benefits to full-time employees of the state and to full-time employees of those political subdivisions that elect to participate in the Fund.

Fund Organization

Legislation enacted by the General Assembly during the 2000 legislative session provides that PERF is an independent body corporate and politic, and not a department or agency of the state. The law specifies that PERF is an independent instrumentality exercising essential government functions.

PERF Board of Trustees

The PERF Board of Trustees (Board) consists of five persons appointed by the governor. At least one trustee must be a member of PERF with at least ten years of creditable service, and at least one trustee must be:

(1) a member of a collective bargaining unit of state employees represented by a labor organization; or

(2) an officer of a local, national, or international labor union that represents state employees.

In making appointments to the Board, the governor may consider whether at least one trustee is a retired fund member. Trustees serve a four-year term.

The Board administers PERF. The Board is required to invest the Fund's assets under the prudent investor standard. Under this standard the Board must invest its assets with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The Board is also statutorily required to diversify investments in accordance with prudent investment standards.

The Board is required to manage the Fund's custodial accounts using a bank or trust company domiciled in the United States and approved by the Department of Financial Institutions.

The Board appoints a director, subject to the governor's approval. The director administers the Fund's detailed affairs.

The Board is required to submit annually to the governor, the State Budget Committee, and the Pension Management Oversight Commission a complete operating and financial statement covering PERF's operations.

The Board members are authorized to participate in Board meetings using any means of communication that permits all other Board members participating in the meeting and all members of the public physically present at the place where the meeting is conducted to simultaneously communicate with each other during the meeting.

Confidentiality of PERF Records

PERF records of individual members and membership information are confidential, except for the name and years of service of a Fund member. The Board may provide Fund records to an association that has as members at least 20% of the number of retired members of the Fund.

Fund Membership

A. Individuals

All employees of the state who are not statutorily assigned to other pension funds (or excluded from coverage) and all employees of participating political subdivisions working in covered positions are required to become members of PERF.

Local school employees of a charter school who are not eligible to participate in the Teachers' Retirement Fund (TRF) are members of PERF. A charter school must participate in PERF (IC 20-5.5-6-7).

Certain employees may not be members of PERF:

(1) Officials of a political subdivision elected by a vote of the people, unless the governing body specifically provides for the participation of locally elected officials.

(2) Employees occupying positions normally requiring performance of service of less than 600 hours during a year who:

- (A) were hired before July 1, 1982; or
- (B) are employed by a participating school corporation.

(3) Independent contractors or officers or employees paid wholly on a fee basis.

(4) Employees who occupy positions that are covered by other pension or retirement funds or plans, maintained in whole or in part by appropriations by the state or a political subdivision, except:

(A) the federal Social Security program; and

(B) the Prosecuting Attorneys' Retirement Fund created by IC 33-14-9.

(5) Managers or employees of a license branch of the Bureau of Motor Vehicles Commission, except those persons who may be included as members under IC 9-16-4.

(6) Employees, except employees of a participating school corporation, hired after June 30, 1982, occupying positions normally requiring performance of service of less than 1,000 hours during a year.

(7) Persons employed by the state who are classified as federal employees by the Secretary of the United States Department of Agriculture and covered by the federal Social Security program as federal employees.

(8) Members and employees of the State Lottery Commission.

Employees who:

(1) were hired before July 1, 1982; or

(2) are employed by a participating school corporation; and

who occupy a position normally requiring the performance of services less than 1,000 hours a year, certain police officers and firefighters who erroneously made contributions as Fund members, or members of the General Assembly who completed their service before July 1, 1987, have the option to become members of PERF.

A governor who makes an irrevocable choice (under IC 4-3-3-1.1) not to receive a retirement benefit from the Fund waives the right to Fund membership or to receive any benefit from the Fund and is entitled to withdraw in a lump sum all contributions to the Fund plus credited interest.

B. Political Subdivisions

A political subdivision may participate in PERF by filing with the Board an ordinance or resolution providing for participation, describing the classifications of employees who will become members of PERF, and providing a date from which the prior service of its employees will be computed. The Board must approve the resolution. The political subdivision's effective date of participation is the earlier of January 1 or July 1 after the date of the Board's approval.

A political subdivision may request a preliminary survey to determine the estimated cost of participation. A survey is not required when a local unit that is participating in PERF adds classifications of employees as members of the Fund and the actuary for the Fund finds that there would be no material change in the current or continued employer contribution rate because of the additional classifications.

A political subdivision may do the following:

(1) Stop its participation in the Fund and withdraw all of the political subdivision's employees from participation in the Fund.

(2) Withdraw a departmental, an occupational, or other definable classification of employees from participation in the Fund.

(3) Stop the political subdivision's participation in the Fund by:

(A) selling all of the political subdivision's assets; or

(B) ceasing to exist as a political subdivision.

A political subdivision's withdrawal from participation in the Fund is effective on a termination date established by the Board. A termination date may not occur until after the following:

(1) The political subdivision gives notice to the Board of the political subdivision's intent to cease participation and the names of the political subdivision's current and former employees as of the date of the notice.

(2) After the Board receives the notice, the expiration of:

(A) A 90-day period for a political subdivision that sells all of the political subdivision's assets or ceases to exist; or

(B) A 2-year period for all other political subdivisions.

(3) The political subdivision contributes to the Fund the amount necessary, as determined by the Board, to fund fully all future benefits to retired, current, and former employees of the political subdivision. The political subdivision may make the contribution in a lump sum or in a series of payments determined by the Board.

The Board may deny a political subdivision permission to withdraw if the denial is necessary to achieve the Fund's compliance with Section 401(a) of the Internal Revenue Code.

A political subdivision that, before January 1, 1995, established, and after January 1, 1995, continued to provide retirement, disability, and survivor benefits for public employees may do so independent of the PERF law. Before a political subdivision with a separate retirement system may join PERF, the political subdivision must conduct a referendum at which at least 75% of all active and retired members vote to participate in PERF.

A political subdivision that becomes a member of PERF must transfer to PERF the assets in its retirement system, and PERF must use the assets to set up a reserve equal to the present value of the benefits payable to the political subdivision's retired employees. If the reserve account is not fully funded, the political subdivision is required to pay to the Fund, either in a single payment or in installment payments approved by the Board, the amount needed. If the political subdivision is unable to make the payment, the Board may reduce proportionately each benefit payable to retired members. If excess moneys are transferred to PERF, they must be used to offset the unfunded accrued liability for active members.

PERF does not assume the liabilities of a retirement system transferred to the Fund, except as provided by an agreement between the Fund and the political subdivision.

PERF Accounts

The Board maintains the following separate accounts:

(1) The annuity savings account contains member contributions, interest credited to the amounts invested in the guaranteed fund, and the gain or loss in market value on the amounts vested in the alternative funds. Each member's annuity savings account is credited individually with the amount of the member's contributions and interest credits.

(2) The retirement allowance account contains all other PERF assets. PERF is required to maintain separate accounts for the contributions made by the state and each political subdivision.

Member Contributions

Members are required to contribute 3% of their compensation to PERF. Compensation means the basic salary earned by a member, plus the amount that would have been part of a member's basic salary except for the member's salary reduction agreement established under Section 125, 403(b), or 457 of the Internal Revenue Code.

In addition, a member is entitled to contribute only on a post-tax basis an additional amount not to exceed 10% of the member's compensation for the payroll period to the member's annuity savings account.

The state must pay the member's contributions for a member who is a state employee. For a member who is not a state employee, the employer is given the option of making all or a part of the contributions on behalf of a member.

A member's annuity savings account belongs to the member and not to the state or the member's employer.

Member Rollover Accounts

The Fund may accept, on behalf of an active member, rollover distributions from any of the following:

(1) A qualified plan described in Section 401(a) or Section 403(a) of the Internal Revenue Code.

(2) An annuity contract or account described in Section 403(b) of the Internal Revenue Code.

(3) An eligible plan maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state under Section 457(b) of the Internal Revenue Code.

(4) An individual retirement account or annuity described in Section 408(a) or Section 408(b) of the Internal Revenue Code.

Any amount rolled over must be accounted for in a separate "rollover account." The member may direct the investment of the "rollover account" into any of the alternative investment options that the Board makes available (see below); however, the"rollover account" may not be invested in the Guaranteed Fund.

A member may withdraw the "rollover account" in a lump sum at any time before retirement. At retirement, the member may withdraw the "rollover account" using any of the retirement options that are available for the member's annuity savings account (see below), including the deferral of a withdrawal.

Vesting

A member is vested and entitled to a retirement benefit when the member accumulates at least 10 years of creditable service in a position covered by PERF.

An elected county official whose governing body has provided for the official's participation in PERF, is vested if the official:

(1) has served as an elected county official in an office described in Article 6, Section 2, of the Indiana Constitution (clerk of the circuit court, auditor, recorder, treasurer, sheriff, coroner, or surveyor) for at least 8 years; and

(2) is prohibited by Article 6, Section 2, of the Indiana Constitution from serving in that office for more than 8 years in any 12-year period.

Creditable Service

For the purpose of computing benefits, creditable service includes:

(1) service in a position covered by PERF; plus

(2) all other service for which PERF gives credit.

A. Earned Service in Position Covered by PERF

A member earns one year of creditable service when the member serves one year in a position that is covered by the Fund.

A member who has past service as an employee of the state or a participating political subdivision in a position that is not covered by the retirement fund is entitled to credit for the service if the position became covered:

(1) before January 1, 1985, by the Teachers' Retirement Fund, PERF, or the retirement fund for the State Board of Accounts: or

(2) after December 31, 1984, by a fund while the member held that position or another position with the same employer; and

if the member submits proof of the service to the fund in which the member claims service.

B. Credited Service

1. *Out-of-State Service*

"Out-of-State Service" means service in another state in a comparable position that would be creditable service if performed in Indiana.

A member may purchase out-of-state service credit if the member:

(1) has at least one year of creditable service in the Fund;

(2) makes contributions, before the member retires, to the Fund:

  (A) that are equal to the product of:

    (i) the member's salary at the time the member actually makes a contribution for the service credit;

    (ii) a rate, as determined by the actuary for the Fund, based on the age of the member at the time the member actually makes a contribution for the service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased; and

    (iii) the number of years of out-of-state service the member intends to purchase; plus

  (B) any accrued interest, at a rate determined by the actuary for the Fund, for the period from the member's initial membership in the Fund to the date payment is made by the member; and

(3) has received verification from the Fund that the out-of-state service is, as of that date, valid.

Out-of-state years that qualify a member for retirement in an out-of-state system or in any federal retirement system may not be granted by the Fund.

At least ten years of service in Indiana is required before a member may claim any out-of-state service credit.

If a member:

(1) terminates employment before satisfying the eligibility requirements necessary to receive a benefit from PERF; or

(2) receives a benefit for the same service from another tax-supported public employee retirement plan, other than federal Social Security;

the member may withdraw the purchase amount, plus accumulated interest, after submitting a properly completed application for a refund to the Fund.

In addition, the following restrictions apply to the purchase of out-of-state service credit:

(1) The Board may allow a member to make periodic payments of the contributions required for the purchase of the service credit. The Board must determine the length of the period during which the payments must be made.
(2) The Board may deny an application for the purchase of service credit if the purchase would exceed certain limitations under Section 415 of the Internal Revenue Code.
(3) A member may not claim the service credit for purposes of determining eligibility or computing benefits unless the member has made all payments required for the purchase of the service credit.

2. *Military Service*

Notwithstanding the provisions in this section, a member is entitled to military service credit and benefits in the amount and to the extent required by the Uniformed Services Employment and Reemployment Rights Act (38 U.S.C. 4301 *et seq.*).

A member who:
(1) enters the United States armed services;
(2) leaves the member's contributions in the Fund;
(3) unless the Board extends the time, resumes service with the member's employer within 120 days after the member's unconditional discharge; and
(4) would be entitled to service credit for military service under the Uniformed Services Employment and Reemployment Rights Act (38 U.S.C. 4301 *et seq.*) if the member had resumed service with the member's employer within 90 days after discharge;
is entitled to service credit for the armed service.

An employee of a political subdivision who left employment before the political subdivision began participating in PERF to enter the United States armed services is entitled to service credit for the armed service if the employee:
(1) unless the Board extends the time, resumes service with the employer within 120 days after the employee's unconditional discharge; and
(2) would be entitled to service credit for the military service under the applicable requirements of federal law in effect at

the time of reemployment if the employee had resumed service with the employer within 90 days after discharge.

The Board shall extend the 120-day reemployment requirement if the Board determines that an illness, an injury, or a disability related to the member's military service prevented the member from resuming employment within 120 days after the member's discharge from military service. However, the Board may not extend the deadline beyond 30 months after the member's discharge.

If a member retires, and the Board subsequently determines that the member is entitled to additional military service credit due to the extension of a deadline, the Board must recompute the member's benefit. However, the additional service credit may be used only in the computation of benefits to be paid after the date of the Board's determination, and the member is not entitled to a recomputation of benefits received before the date of the Board's determination.

Purchase of Military Service Credit

An active member who meets the following requirements may purchase not more than two years of military service credit for the member's service on active duty in the armed services:

(1) The member has at least one year of credited service in the Fund.

(2) The member serves on active duty in the United States armed services for at least six months.

(3) The member receives an honorable discharge from the armed services.

(4) Before the member retires, the member makes contributions to the Fund as follows:

(A) Contributions that are equal to the product of the following:

(i) The member's salary at the time the member actually makes a contribution for the service credit.

(ii) A rate, determined by the actuary of the Fund, that is based on the age of the member at the time the member actually makes a contribution for service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased.

(iii) The number of years of service credit the member intends to purchase.

(B) Contributions for any accrued interest, at a rate determined by the actuary of the Fund, for the period from the member's initial membership in the Fund to the date payment is made by the member.

A member may purchase military service credit only to the extent that PERF does not otherwise grant service credit for the member's military service.

At least ten years of service in Indiana is required before a member may receive a benefit based on purchased service credits.

A member who:

(1) terminates employment before satisfying the eligibility requirements necessary to receive a benefit from PERF; or

(2) receives a benefit for the same service from another tax-supported public employee retirement plan, other than federal Social Security; may withdraw the purchase amount, plus accumulated interest, after submitting a properly completed refund application to the Fund.

The following provisions apply to the purchase of military service credit:

(1) The Board may allow a member to make periodic payments of the contributions required for the purchase of the military service credit. The Board determines the length of the period during which the payments must be made.

(2) The Board may deny an application for the purchase of military service credit if the purchase would exceed the limitations under Section 415 of the Internal Revenue Code.

(3) A member may not claim the service credit for purposes of determining eligibility or computing benefits unless the member has made all payments required for the purchase of the service credit.

3. *Leave Service*

A member is entitled to service credit for:

(1) adoption leave of not more than one year; and

(2) leaves of absence, granted under rules in force at the time of the leave, totaling six months or less during any period of four consecutive years.

A member may make contributions during the leave of absence based on the member's rate of compensation on the date the leave of absence begins.

A state employee member is entitled to service credit for the time the member is receiving disability benefits under a disability plan established under IC 5-10-8-7.

Family and Medical Leave Act (FMLA)

PERF is required by federal law to be administered in a manner consistent with the FMLA of 1993 (29 U.S.C. 2601 *et seq*.). A member on a leave of absence that qualifies for the benefits and protections afforded by the FMLA entitled to receive credit for vesting and eligibility purposes to the extent required by the Family and Medical Leave Act, but is not entitled to receive credit of service for benefit purposes unless the leave meets the requirements outlined above.

4. *Public Service*

A member with at least one year of service in a covered position after January 1, 1946, receives credit for years of service at any time as any of the following:

(1) An elected state official.
(2) A prosecuting attorney of a judicial circuit.
(3) A judge who is covered by the Judges' Retirement System, but who is ineligible for its benefits.
(4) A member of the armed services if the member joined the armed services while the member was a member of the General Assembly, including credit for the unexpired term if the unexpired term of the member of the General Assembly was longer than the armed service.

5. *General Assembly Service*

If a member who is a legislator participates in, but does not qualify for a benefit from, the Legislators' Defined Benefit Plan, the Board must include the member's service in the General Assembly in the determination of eligibility for, and computation of, benefits under PERF at the time the member is eligible to receive benefits under PERF. After a member begins receiving benefits from PERF with the General Assembly service included, the member's General Assembly service may not be used to compute benefits in the Legislators' Defined Benefit Plan.

6. *Other Service*

Certain members who have prior service in a position covered by the 1925 Police Pension Fund, the 1937 Firefighters' Pension Fund, or the 1953 Police Pension Fund may purchase service credit for that prior service if the member is not vested in or an active member of one of those funds.

An employee of a township trustee's office in a county having a consolidated city may purchase, under certain conditions, service credit for the time the person was employed in a position covered by the Fund, but was not a member of the Fund.

The board may establish rules to govern the determination of service in other cases not specifically provided for.

C. Purchase of Service Credit

A member who has earned at least ten years of service in a position covered:

(1) by the Fund; or
(2) by a combination of the Fund and TRF;

may purchase one year of service credit for each five years of service that the member has completed in a position covered by the Fund.

Before the member retires, the member makes contributions to the Fund as follows:

(1) Contributions that are equal to the product of the following:
  (A) The member's salary at the time the member actually makes a contribution for the service credit.
  (B) A rate, determined by the actuary of the Fund, that is based on the age of the member at the time the member actually makes a contribution for service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased.
  (C) The number of years of service credit the member intends to purchase.

(2) Contributions for any accrued interest, at a rate determined by the actuary of the Fund, for the period from the member's initial membership in the Fund to the date payment is made by the member.

The following provisions apply to the purchase of service credit:

(1) The Board may allow a member to make periodic payments of the contributions required for the purchase of the service credit. The Board determines the length of the period during which the payments must be made.

(2) The Board may deny an application for the purchase of service credit if the purchase would exceed the limitations under Section 415 of the Internal Revenue Code.

(3) A member may not claim the service credit for purposes of determining eligibility or computing benefits unless the member has made all payments required for the purchase of the service credit.

(4) To the extent permitted by the Internal Revenue Code, a member may purchase service credit by a rollover distribution from any of the following:

(A) A qualified plan described in Section 401(a) or Section 403(a) of the Internal Revenue Code.

(B) An annuity contract or account described in Section 403(b) of the Internal Revenue Code.

(C) An eligible plan maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state under Section 457 (b) of the Internal Revenue Code.

(D) An individual retirement account or annuity described in Section 408(a) or Section 408(b) of the Internal Revenue Code.

A member who terminates employment before satisfying the eligibility requirements necessary to receive a benefit from PERF may withdraw the purchase amount, plus accumulated interest, after submitting a refund application to the Fund. However, the member must also apply for a refund of the member's entire annuity savings account in order to be eligible for a refund of the member's rollover amount.

For a member who is a state employee, the employer may pay all or a part of the member contributions required for the purchase of service credit.

For a member who is an employee of a participating political subdivision, the employer may adopt an ordinance to pay all of a part of the member contributions required for the purchase of service credit.

D. <u>Use of Rollovers to Purchase Service Credit</u>

The Fund may accept rollover contributions from a member making payments for additional service credit if the following conditions are met:

(1) The rollover contribution must represent all or a portion of the member's interest in one of the following:

(A) A qualified plan described in Section 401(a) or Section 403(a) of the Internal Revenue Code.

(B) An annuity contract or account described in Section 403(b) of the Internal Revenue Code.

(C) An eligible plan maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state under Section 457 (b) of the Internal Revenue Code.

(D) An individual retirement account or annuity described in Section 408(a) or Section 408(b) of the Internal Revenue Code.

(2) The amount of the rollover contribution may not exceed the amount required to purchase the service credit.

(3) The rollover contribution may contain only tax-deferred contributions and earnings on the contributions, and may not include any post-tax contributions.

(4) The member must be otherwise eligible to purchase the service credit.

The Fund may also accept, on behalf of a member who is purchasing permissive service credit, a trustee-to-trustee transfer from:

(1) an annuity contract or account described in Section 403(b) of the Internal Revenue Code; or

(2) an eligible deferred compensation plan under Section 457(b) of the Internal Revenue Code.

Cash transferred to the fund as a rollover contribution must be deposited in the retirement allowance account.

A member who terminates employment before satisfying the eligibility requirements necessary to receive a benefit from PERF may withdraw the member's rollover contribution, plus accumulated interest, after submitting a properly completed refund application to the Fund. However, the member must also apply for a refund of the member's entire annuity savings account in order to be eligible for a refund of the member's rollover amount.

E. <u>Transfer of Creditable Service</u>

A member who:

(1) has attained vested status in the Fund;
(2) has terminated employment;
(3) has not begun receiving benefits; and
(4) is transferring creditable service earned under PERF to another governmental retirement plan;

may suspend the member's membership in PERF and withdraw the member's annuity savings account to purchase creditable service in the other governmental retirement plan.

Retirement Age

A member is eligible for normal retirement benefits if:

(1) the member is at least 65 years of age and has at least ten years of creditable service;
(2) the member is at least 60 years of age and has at least 15 years of creditable service; or
(3) the member is at least age 55 years of age and the member's age in years plus years of creditable service equal at least 85.

Early Retirement

A member who is at least 50 years of age and has at least 15 years of creditable service may retire with a reduced benefit.

The member's retirement benefit is reduced:

(1) one-tenth percent (1/10%) for each month the member retires at or after age 60 and before age 65; or
(2) five-twelfths percent (5/12%) for each month a member retires before age 60, plus 6%.

Retirement Benefits

Benefits received by a retired member of PERF are derived from two sources:

(1) a pension from the retirement allowance account funded by employer contributions; and
(2) an annuity savings account funded by the employee member contributions.

Unless a member elects otherwise, the retirement benefit for each member consists of the sum of a pension provided by employer contributions plus an annuity provided by the amount credited to the member in the annuity savings account.

A. Pension Portion

1. *Benefit Computation*

The pension portion of the retirement benefit is determined by the following formula (which is set forth in IC 5-10.2-4-4):

> Average Annual Compensation
> x .011
> x Years of Creditable Service
> = Annual Pension at Normal Retirement

2. *Average of the Annual Compensation*

The "average of the annual compensation" for a PERF member means the average annual compensation calculated using the 20 calendar quarters of service in a covered position before retirement in which the member's annual compensation was the highest. In order for a quarter to be included in the 20 calendar quarters, a member must have performed service throughout the calendar quarter. The 20 calendar quarters do not have to be continuous, but they must be in groups of four consecutive calendar quarters. The same calendar quarter may not be included in two different groups.

"Annual compensation" used in determining the member's "average of the annual compensation" means the basic salary earned by and paid to the member plus:

(1) the amount that would have been part of that salary but for:
   (A) the employer paying the member's contribution to the Fund on behalf of the member (i.e., contributions "picked-up" by the employer); or
   (B) the member's salary reduction agreement under Section 125 (cafeteria plan), Section 403(b) (tax sheltered annuity), or Section 457 (qualified deferred compensation agreement) of the Internal Revenue Code; and

(2) compensation of no more than $2,000 received from the employer in contemplation of the member's retirement, including severance pay, termination pay, retirement bonus, or commutation of unused sick leave or personal leave, if the amount is received:
   (A) before the member ceases service; or

(B) within 12 months after the member ceases service.

The portion of a back pay award or a similar award that the Board determines is compensation under an agreement or a judicial or administrative proceeding is allocated by the Board among the years the member earned or should have earned the compensation. Interest on the award is not considered annual compensation for any year.

If a member receives annual compensation from two or more employers, the average of the annual compensation is the sum of the two or more annual compensations if:

(1) each employer and the member made all required contributions to the Fund; and
(2) the member served in at least one position that normally required more than 600 hours of service during the year.

For a member of the General Assembly, the "average of the annual compensation" is the highest compensation the member received in any one year while engaged in a position covered by the Fund in state service, as a teacher, and in service with a political subdivision. For a member of the General Assembly who participates in both the legislators' retirement system and the Fund, but whose years of service in the General Assembly may not be considered in computing the "average of the annual compensation", the Board must use the Board's actuarial salary increase assumption to project the salary for any year needed to determine the member's "average of the annual compensation."

B. Annuity Portion

1. *Investment Options*

Prior to July 1, 1998

A member could invest the member's annuity savings account contributions in the following investment options:

(1) The Guaranteed Fund: Interest on the member's contributions was credited at a rate annually determined by the Board. Principal and interest were guaranteed, with the market risk being assumed by the Fund. Distributions, withdrawals, and transfers were at book value.

(2) The Bond Fund: A member's contributions were invested in fixed-income instruments that were intended to provide

both interest and capital gain income. The market risk was assumed by the member. Distributions, withdrawals, and transfers were at market value.

(3) The Money Market Fund: A member's contributions were invested in a money market fund that holds a variety of short-term investments having maturities of one year or less. These investments included obligations of the United States government and federal agencies. The market risk was assumed by the member. Distributions, withdrawals, and transfers were at market value.

A member could annually select the investment option in which the member's contributions would be invested. The contributions of new members were automatically invested in the Guaranteed Fund. A member who invested the member's contributions in the Bond Fund or the Money Market Fund could not return to the Guaranteed Fund.

After June 30, 1998

In response to the ratification of the Indiana constitutional amendment allowing public pension funds to invest in equities, the General Assembly enacted legislation in 1997 requiring PERF to add alternative investment programs representing a variety of investment objectives, including at least one indexed stock fund and one bond fund, to the Guaranteed Fund, Bond Fund, and Money Market Fund investment options described above.

In addition to the Guaranteed Fund, Bond Fund, and Money Market Fund, members currently have these investment options:

(1) The S&P 500 Stock Index Fund: A member's contributions are invested in a fund that duplicates the Standard and Poor's (S & P) 500 Stock Index.

(2) The U.S. Small Company Stock Fund: A member's contributions are invested in a fund that invests in smaller United States companies.

(3) The International Stock Fund: A member's contributions are invested to provide a broad exposure to foreign equity markets.

A member of PERF is able to make an investment selection or change an existing investment selection for the member's annuity savings account contribution once each quarter. The contributions of new members are automatically invested in the Guaranteed Fund if the member does not make another investment selection.

The Board is required to implement the member's selection on the first day of the next calendar quarter that begins at least 30 days after the selection is received by the Board. A member may select any combination of the Guaranteed Fund or any available alternative investment funds in 10% increments. A member's selection remains in effect until a new selection is made.

Contributions to the Guaranteed Fund and the alternative investment programs are invested as of the last day of the quarter in which the contributions are received by PERF. Contributions to the Guaranteed Fund begin to accumulate interest at the beginning of the quarter after the quarter in which the contributions are received by PERF. The market value of each alternative investment program is allocated at least annually to members participating in that program.

When a member who participates in the Guaranteed Fund retires, dies, becomes disabled, or suspends membership, and withdraws from the Fund, the amount credited to the member is computed without regard to market value and is based on the balance of the member's account in the Guaranteed Fund as of the last day of the quarter preceding the effective date of the member's distribution or annuitization, plus interest and any contributions received after that date.

When a member transfers the amount credited to the member's Guaranteed Fund to an alternative investment program, the amount credited to the member's Guaranteed Fund is computed without regard to market value and is based on the balance of the member's account in the Guaranteed Fund as of the last day of the quarter preceding the effective date of the transfer.

When a member who participates in an alternative investment program retires, dies, becomes disabled, or suspends membership, and withdraws from the Fund, the amount credited to the member is valued at the market value of the member's investment, as of the last day of the quarter preceding the member's distribution or annuitization, plus contributions received after that date.

When a member who participates in an alternative investment program transfers the amount credited to the member from one alternative investment program to another alternative investment program or to the Guaranteed Fund, the amount credited to the member is valued at the market value of the member's investment, as of the day before the effective date of the member's selection.

2. *Annuity Savings Account Crediting and Earning Rates*

	Guaran-teed	Bond	Money Market	S&P 500	Small Cap	Int'l Stock
1990:	8.35%	6.23%	8.02%			
1991:	8.20%	9.11%	6.89%			
1992:	7.75%	15.16%	4.39%			
1993:	7.75%	14.83%	2.44%			
1994:	8.00%	-3.49%	2.79%			
1995:	6.75%	3.55%	4.99%			
1996:	8.40%	3.26%	5.54%			
1997:	9.00%	9.055	5.39%			
1998:	8.25%	10.44%	5.56%	NA	NA	NA
1999:	8.25%	2.63%	4.96%	21.45%	-.285%	NA
2000:	8.25%	4.44%	5.40%	8.03%	7.97%	NA
2001:	8.25%	11.23%	5.68%	-14.85%	30.54%	NA
2002:	8.25%	8.60%	2.58%	-18.14%	8.77%	NA
2003:	*8.25/7.75%	10.42%	1.40%	0.20%	1.28%	-6.50%
2004:	**7.25%	0.37%	1.00%	19.06%	49.93%	32.65%
2005:	***6.25%					

*For the fiscal year ending June 30, 2003, the interest-crediting rate for the Guaranteed Fund is being credited based on an annual rate of 8.25% for the first quarter and 7.75% for the three remaining quarters.

** The earning rates for the Bond, Money Market, S&P 500, Small Cap, and Internaltional Stock funds are one year trailing at 6/30/04.

***Rate set by the PERF board of trustees for fiscal year starting July 1, 2004.

3. *Distribution Options*

A member has four payment options regarding the annuity savings account. A member may elect any of the following:

(1) To <u>receive an annuity</u> in an amount purchasable on the member's retirement date by the amount credited to the member's annuity savings account as part of the member's retirement benefit. The amount purchasable is based on actuarial tables adopted by the Board at an interest rate determined by the Board. The annuity is payable in monthly installments for life to the member. If the member elects an alternative retirement option, the terms of that option control the payment of the annuity portion of the benefit.

(2) To <u>withdraw the entire balance</u> credited to the member's annuity savings account. If the member chooses this option, the member is not entitled to an annuity as part of the member's retirement benefit.

(3) To <u>withdraw the member's federal income tax basis</u> in the

member's annuity savings account as of December 31, 1986. If the member chooses this option, the member is entitled to an annuity purchasable by the remaining balance in the member's annuity savings account. This annuity is payable in monthly installments for the life of the member. If the member elects an alternative retirement option, the terms of that option control the payment of this portion of the benefit.

(4) To defer receiving in any form the member's annuity savings account. If a member chooses this option, the member:

(A) is not entitled to an annuity as part of the member's retirement benefit, and the annuity savings account continues to be invested according to the member's direction; and

(B) later may choose, as of the first day of a month, to receive a distribution of:

(i) the entire amount credited to the member in the annuity savings account, in which case, the member is not entitled to an annuity as part of the member's retirement benefit; or

(ii) an amount equal to the member's federal income tax basis in the member's annuity savings account as of December 31, 1986, in which case, the member is entitled to an annuity purchasable by the remaining balance in the member's annuity savings account.

If the member does not choose a distribution option, the member is entitled to an annuity purchasable by the entire amount in the member's annuity savings account, and the annuity will take the form required by Section 401(a)(9) of the Internal Revenue Code, unless the member has selected a benefit payment option other than the five-year guaranteed payment option.

Benefit Payment Options

A. Before a Member's Retirement

If a member dies before retirement, the designated beneficiary may receive only the amount credited to the member's annuity savings account, unless the designated beneficiary is entitled to survivor benefits described below.

B. Five-Year Guaranteed Payments

A retiring member is entitled to receive monthly retirement benefits that are guaranteed for five years or until the member's death, whichever is later.

C. Other Payment Options

In lieu of the five year guaranteed payment option, a member may select in writing any of the following non-conflicting options for the payment of the member's retirement benefit:

(1) Joint and Survivor Option.

A member receives a decreased retirement benefit during the member's lifetime, and a benefit is payable after the member's death to a designated beneficiary during the beneficiary's lifetime. The member selects whether the beneficiary's benefit is the full decreased retirement benefit or two-thirds or one-half of that benefit.

(2) Benefit with No Guarantee Option.

A member receives an increased lifetime retirement benefit without the five-year payment guarantee.

(3) Payment Integrated with Social Security Option.

A member who retires before the age of eligibility for Social Security benefits elects to receive a level benefit during retirement in which case the member receives an increased retirement benefit until the age of Social Security eligibility and a decreased retirement benefit after that age.

(4) Cash Refund Annuity Option.

A member receives a lifetime annuity purchasable by the amount credited to the member's annuity savings account, and the member's designated beneficiary receives a refund payment equal to:

> (A) the total amount used in computing the annuity at the member's retirement date; minus
>
> (B) the total annuity payments paid and due the member before the member's death.

D. Beneficiary Designations

If a designated beneficiary dies before a member retires, the selection is automatically cancelled. The member may make a new beneficiary election and change the benefit payment option.

If:

(1) the designated beneficiary dies while the member is receiving benefits; or

(2) the member marries (for the first time or after the death of the

member's spouse) after the member's first benefit payment is made, and the member's designated beneficiary is not the member's current spouse or the member has not designated a beneficiary;
the member may change the member's designated beneficiary or form of benefit and receive an actuarially adjusted and recalculated benefit for the remainder of: (A) the member's life; or (B) the member's life and the life of the newly designated beneficiary. The member may not elect to change to a five-year guaranteed form of benefit. If the member's new election is the joint and survivor option, the member indicates whether the designated beneficiary's benefit will equal the member's full recalculated retirement benefit or be two-thirds or one-half of the member's full recalculated benefit. The member bears the cost of recalculating the benefit.

A member may direct that the member's retirement benefit be paid to a revocable trust that permits the member unrestricted access to the amounts held in the trust. The member's direction is not considered an assignment or transfer of benefits.

Payment of Benefits

A member's retirement benefit is payable in equal monthly installments. The benefit may not be increased, decreased, revoked, or repealed except for error or by action of the General Assembly.

Except when a member is permitted to change the designation of a beneficiary as described above, a member may not change:

(1) the member's benefit payment option;

(2) the selection of a lump sum payment of the member's annuity savings account as a distribution option; or

(3) the beneficiary designation if the member selects the joint and survivor payment option;

after the first day of the month in which the member's benefit payments are scheduled to begin. It is immaterial whether a benefit check has been sent, received, or negotiated.

Estimated Benefit Payments

PERF may estimate and pay 85% of the pension portion of a member's retirement benefit if:

(1) the member has applied for a retirement benefit and has chosen a date on which the benefit is to begin;

(2) the member's membership records are incomplete or have not been certified; and

(3) the member's membership records submitted to the Fund establish that the member is entitled to a retirement benefit.

After the Fund determines the member's actual retirement benefit, the Fund must temporarily adjust the retirement benefit paid to the member to reconcile any underpayment or overpayment that results from the payment of estimated benefits. The Fund may make the temporary adjustment of the retirement benefit paid to the member over a reasonable time, as determined by the Board.

Direct Deposit of Benefits

The Fund promotes direct deposit as the preferred way for members and beneficiaries to receive monthly benefits. A member or beneficiary who receives a monthly benefit by direct deposit receives a written notice:

(1) before each change in the amount of the member's or beneficiary's benefit; or

(2) once every 12 months, if the benefit amount does not change;

showing the benefit amount, including any cost-of-living increase or other adjustment to the benefit amount, and a summary of the member's or beneficiary's benefit payment history since the last written notice.

Benefits Exempt From Legal Process; Assignment of Benefits

Benefits, refunds of contributions, and money in the Fund are exempt from levy, sale, garnishment, attachment, or other legal process. However, a member's contributions or benefits, or both, may be transferred by the Board to reimburse a member's employer for loss resulting from the member's criminal taking of the employer's property if the loss of the employer's property is proven by a member's misdemeanor or felony conviction.

The Board may withhold the refund of a member's contribution and interest if the employer notifies the Board that felony or misdemeanor charges accusing the member of the criminal taking of the employer's property have been filed. The Board may withhold payment until the final resolution of the criminal charges.

A member or beneficiary may not assign any payments from the Fund except:

(1) premiums on a life, hospitalization, surgical, or medical group insurance plan maintained in whole or in part by a state agency; and

(2) dues to an association that proves to the Board's satisfaction that the association has as members at least 20% of the number of retired members of the Fund.

Special Benefit

A retired member is entitled to a supplemental retirement benefit paid by the Fund as long as the member meets the following conditions:

(1) The member currently receives a retirement benefit from the Fund.
(2) The member is at least 65 years of age.
(3) The member is eligible for less than $200 per month in retirement benefits under the federal Social Security Act.

The amount of the supplemental benefit is the difference between $200 and the total of all retirement benefits that the member is eligible to receive under the federal Social Security Act.

Fund members who have been classified as federal employees by the secretary of the United States Department of Agriculture are not eligible for this benefit. The maximum PERF benefit payable to these members may not exceed, at the date of retirement or disability, when added to the member's federal civil service benefit, 100% of the average of the annual compensation used in computing the member's PERF benefit. If the sum of the retirement or disability benefit (excluding the annuity) and the federal civil service benefit exceeds 100%, the Board must reduce the state pension portion of the benefit so that the sum does not exceed that percent.

Withholding of Benefits

The Board may stop a member's benefit in the following instances:

(1) The member fails to report for a required examination, unless excused by the Board.
(2) The member disobeys the requirements of the Board regarding an examination.
(3) The member refuses to repay an overpayment of benefits.
(4) The Board has reasonable cause to believe that:
(A) the member has died; or
(B) the member is no longer disabled.

Reemployment After Retirement

When a member who:

(1) is receiving retirement benefits; and

(2) is less than the Social Security normal retirement age for unreduced benefits;

becomes reemployed in a position covered by PERF or TRF and earns in that position more than $25,000 (computed for the calendar year in which a retired PERF member is reemployed), the member's benefit payments stop, and the member begins making employee contributions to the Fund. The employer of the retired member must make employer contributions to the Fund for the member throughout the member's period of reemployment.

The earnings limitation does not apply to a member who has attained the Social Security normal retirement age for unreduced benefits.

If a member who is receiving retirement benefits is reemployed in a position covered by PERF or TRF less than 90 days after the member's retirement, the member's benefit payments stop, and the member begins making employee contributions to the Fund. The employer of the retired member must make employer contributions to the Fund for the member throughout the member's period of reemployment.

If a member dies during reemployment, the member's retirement benefits that are payable from before the member's reemployment are paid without change plus any additional benefit the member earned during reemployment.

Contributions and interest credited to the member's annuity savings account are paid upon termination of the member's reemployment to a member who is reemployed for fewer than 90 consecutive working days.

When a member is reemployed for more than 90 consecutive working days, the member receives an additional benefit upon termination of reemployment. The additional benefit is the sum of a supplemental pension, computed using the member's years of service and average compensation during reemployment, and a supplemental annuity, provided by contributions and interest credited to the member during reemployment. The additional benefit is payable as the member chooses from any of the payment options available to the member for payment of the member's original retirement benefit.

Election or Appointment to Elected Position Covered by PERF or TRF; Other Service

If a member who is receiving retirement benefits is elected or appointed to an elected position covered by TRF or PERF, the member must file a written, irrevocable election with the Board to continue or discontinue retirement benefits while the member holds the elected position.

If a member :

(1) is elected or appointed to an elected position and:

(A) attains at least 55 years of age; and

(B) completes at least 20 years of service; or

(2) is serving in any other position covered by TRF or PERF and:

(A) attains at least 70 years of age; and

(B) completes at least 20 years of service;

while holding the position, the member may file a written, irrevocable election to begin receiving retirement benefits to which the member is entitled by age and service.

If the member elects to discontinue receiving retirement benefits, the member must make employee contributions to the Fund and accrues an additional benefit computed and payable as described above for a member who is reemployed after retirement.

If the member elects to continue or begin receiving benefits:

(1) the member may continue to make employee contributions to the Fund, but is not required to do so; and

(2) the member waives the accrual of service credit and the right to an additional benefit from service in the position, except to the extent that the value of the accrual of additional service credit and a supplemental benefit exceeds the actuarial value of the benefit which the member has elected to continue or receive.

If a member elected or appointed to an elected position makes the election described above to continue or begin receiving retirement benefits, the member's employer must make employer contributions to the Fund only for past service liability based on the salary of the position to which the member has been elected or appointed.

Disability Benefits

A member is eligible for disability benefits from the Fund if the member:

(1) has at least five years of creditable service before the:

(A) termination of a salary, employer provided income protection benefits, or Family and Medical Leave Act leave; or

(B) exhaustion of all worker's compensation benefits;

(2) the member has qualified for a Social Security or federal civil service system disability benefit and has furnished proof of the qualification to the Board; and

(3) at least once each year until the member reaches age 65 a representative of the Board verifies the continued disability.

Benefits for disability are paid beginning with the month following the onset of disability as determined by the Social Security Administration. The benefit is equal to the amount provided for normal retirement, but is computed using only the years of creditable service worked to the date of disability and without any reduction for early retirement. However, the monthly disability benefit may not be less than $100.

The member may request that the disability benefit be paid using the same payment options available for payment of the normal retirement benefit, except the member may not integrate the disability benefit with Social Security.

A member may continue to receive disability benefits from PERF as long as the member is entitled to receive Social Security benefits, including periods of trial employment or rehabilitation under the Social Security guidelines. However, during a period of trial employment or rehabilitation, service credit may not be granted.

Survivor Benefits

1. *Generally*

A surviving spouse or surviving dependent of a member is entitled to receive a survivor benefit if the member:

(1) dies after March 31, 1990;

(2) while in service in a position covered by the Fund:

(A) with at least 10 years of creditable service, if the member dies in service as a member of the General Assembly; or

(B) with at least 15 years of creditable service if the member dies in service in any other position covered by the Fund; and

(3) the survivor qualifies for a survivor benefit.

Survivor benefits must be reduced by any disability benefits paid to the member.

2. *Surviving Spouse*

A surviving spouse who was married to the deceased member for at least two years is entitled to receive a survivor benefit equal to the monthly benefit payable to the spouse under the joint and survivor option upon the member's death following retirement at the later of:

(1) age 50; or
(2) the actual date of death.

The Board may determine that a surviving spouse who was married at least two years to a member who:

(1) dies after June 30, 1996;
(2) has at least 30 years of creditable service; and
(3) dies in service in a position covered by the Fund;

is entitled to a survivor benefit equal to the monthly benefit payable under the joint and survivor option upon a member's death following retirement at the later of: (a) age 55; or (b) the actual date fo death.

3. *Surviving Dependents*

If the member dies without a surviving spouse who was married to the member for at least two years, but with a surviving dependent, the surviving dependent is entitled to receive a monthly amount equal to the actuarial equivalent of the monthly benefit that would have been payable to the spouse (assuming the spouse had the same birth date as the member) under the joint and survivor option upon the member's death at the later of: (a) age 55; or (b) the actual date of death.

If there is more than one surviving dependent, the actuarial equivalent of the benefit described above is calculated and, considering the dependents' attained ages, an equal dollar amount determined as the monthly benefit paid to each dependent.

These monthly benefits are payable to the surviving dependent until the earlier of:

(1) the date the surviving dependent reaches age 18; or

(2) the surviving dependent's death. However, if the surviving dependent is permanently and totally disabled at the time the surviving dependent becomes age 18 (using disability guidelines established by the Social Security Administration), the benefit is payable until the date the surviving dependent is no longer disabled or dies, whichever occurs first.

4. *Payment Options for Member's Annuity Savings Account*

The surviving spouse or surviving dependent who is entitled to a survivor benefit may elect to receive:

(1) a lump sum payment of the total amount credited to the member's annuity savings account; or

(2) an amount equal to the member's federal income tax basis in the member's annuity savings account as of December 31, 1986.

A survivor who makes this election is not entitled to an annuity as part of the monthly retirement benefit to the extent of the payment.

Any additional annuity savings account contributions are not included in calculating survivor benefits, but are payable to:

(1) the member's surviving designated beneficiary; or

(2) the member's estate, if there is no beneficiary.

B. <u>Other Designated Beneficiaries</u>

If a member is survived by a designated beneficiary who is not a surviving spouse or dependent, the following provisions apply:

(1) If the member is survived by one designated beneficiary, the designated beneficiary is entitled to receive in a lump sum, or over a period of up to five years, as elected by the beneficiary, the amount credited to the member's annuity savings account, less any disability benefits paid to the member.

(2) If the member is survived by two or more designated beneficiaries, the designated beneficiaries are entitled to receive in a lump sum, or over a period of up to five years, as elected by the designated beneficiaries, equal shares of the amount credited to the member's annuity savings account, less any disability benefits paid to the member.

(3) If the member is also survived by a spouse or dependent who is entitled to a survivor benefit, the surviving spouse or dependent is not entitled to an annuity or a lump sum payment as part of the survivor benefit, unless the surviving spouse or dependent is also a designated beneficiary.

C. Member's Estate

If a member dies:

(1) without a surviving spouse or dependent who qualifies for survivor benefits; and

(2) without a surviving designated beneficiary entitled to receive the member's annuity savings account;

the amount in the member's annuity savings account, minus any disability benefits paid to the member, is paid to the member's estate.

D. Member Not In Service at Death

1. *Eligible for Retirement or Disability Benefit*

If a member dies:

(1) after March 31, 1990;

(2) while not in service in a covered position; and

(3) while eligible to receive retirement or disability benefits but before applying for them;

the member's surviving spouse or dependent is entitled to survivor benefits. Survivor benefits are reduced by any disability benefits paid to the member.

2. *Not Eligible for a Retirement or Disability Benefit*

If a member dies while not in service but before being eligible for a retirement or disability benefit, the named beneficiary (or the member's estate if there is no named beneficiary) will receive the amount payable to the member upon suspension of Fund membership.

E. Unclaimed Survivor Benefits and Member Accounts

Unclaimed survivor's benefits and member accounts are forfeited and credited to the Fund three years after the member's death. However, the Board may honor a claim made more than three years after the member's death if the Board finds, in the Board's discretion, that:

(1) the member died after August 31, 1992; and

(2) either:

(A) the delay in making the claim was reasonable; or

(B) other extenuating circumstances justify the award of the benefit to the claimant.

F. <u>Payment of a Minimum Amount</u>

When a member dies:

(1) after July 1, 1991;

(2) while receiving or eligible to receive retirement benefits;

(3) without a survivor entitled to benefits; and

(4) without having received payments at least equal to the minimum amount;

the difference between the amount already paid to the member and the minimum amount is paid in a lump sum to the member's designated beneficiaries in equal shares or to the member's estate.

"Minimum amount" means the entire amount credited to the member's annuity savings account at the time of:

(1) retirement; or

(2) death while entitled to retirement benefits;

minus all benefits paid to the member and the member's survivors.

If a member dies with a survivor entitled to benefits, the calculation is made at the time of death of the last survivor. If the member and all survivors have not received payments at least equal to the minimum amount, the difference is paid in a lump sum to the survivor's estate.

Suspension of Fund Membership and Withdrawal of Contributions

A member who terminates employment and is not eligible for retirement or disability retirement may suspend membership in the Fund and is entitled to withdraw in a lump sum the member's contributions (or contributions "picked up" by the employer) plus the accumulated interest credited to the member.

After five continuous years in which the member performs no service in a covered position, the member's Fund membership is automatically suspended unless the member is vested in the Fund.

The Board may suspend a member's Fund membership if:

(1) the member has not performed any service in a covered position for two years;

(2) the member is not vested in the Fund; and

(3) the value of the member's annuity savings account is not more than $200.

If the Board suspends the member's Fund membership under this provision, the Board must pay the member's annuity savings account in a lump sum.

If a member does not claim the member's money within five years after suspension of membership, the money is credited to the Fund. The Fund retains the money until claimed by the member, with no further interest credits to the member.

However, if a member suspends membership in the Fund because the member is no longer in a covered position but does not separate from employment with the member's employer, money is credited to the Fund only if the member does not claim the money within 45 years after suspension of membership.

Any reasonable costs of locating the member or the member's beneficiary may be charged against the member's or the beneficiary's money.

If a member resumes service in a covered position, the member may claim as creditable service the period of employment before the suspension of membership, but only to the extent that the same period of employment is not being used by another governmental plan for the member's benefit in that plan.

Participation in More Than One Public Pension Plan

For a public employee who retires with service in more than one retirement fund, the last retirement fund in which the employee rendered service pays the retirement benefits to the employee. The employee's pension is computed and vested status determined on the basis of the combined creditable service in all funds. The annuity, if any, is computed on the basis of amounts credited to the employee in the annuity savings accounts in all funds.

The funds in which the employee was a member must pay to the fund responsible for paying the employee's benefits:

(1) the amount credited to the employee in the employee's annuity savings account; and
(2) the proportionate actuarial cost of the employee's pension.

A member of the Teachers' Retirement Fund who:

(1) has served as a member of the General Assembly; and
(2) retires after June 30, 1980, may choose at the member's retirement date whether to retire from the Teachers' Retirement

Fund or from the Fund. If the member chooses to retire from the Fund, the Fund is responsible for the payment of benefits, and the teachers' retirement fund must pay to the Fund:

(A) the amount credited to the member in the member's annuity savings account in the Teachers' Retirement Fund; and

(B) the proportionate actuarial cost of the member's pension.

Postretirement Increases

Benefit increases to PERF members, survivors, and beneficiaries are granted on an ad hoc basis by the General Assembly.

The following increases were granted from 1994 through 2004 to members (or survivors or beneficiaries of a member), did not apply to benefits payable as a lump sum, and were in addition to any other increases provided by law.

Year Effective	COLA	For Members Who Retired or Were Disabled:	One-Time 13th Check	For Members Who Retired or Were Disabled:
1994	1% 2% 3%	After 7/1/87; before 7/2/92* After 7/1/84; before 7/2/87* Before 7/2/84* *Payable after 6/30/94	$50 or an amount that is a percentage of the pension portion of the retirement benefit based on the number of years since the person retired (whichever is greater).	Before 7/2/93 and received monthly benefits on 10/1/94.
1995	3.1% 1.5%	Before 7/2/81* After 7/1/81; before 7/2/93* *Payable after 6/30/95	$50 or an amount that is a percentage of the pension portion of the retirement benefit based on the number of years since the person retired (whichever is greater).	Before 7/2/94 and received monthly benefits on 10/1/95.

Year Effective	COLA	For Members Who Retired or Were Disabled:	One-Time 13th Check	For Members Who Retired or Were Disabled:
1996	3.1% 1.5%	Before 7/2/81* After 7/2/81; before 7/2/93* *Payable after 6/30/96	$50 or an amount that is a percentage of the pension portion of the retirement benefit based on the number of years since the person retired (whichever is greater).	Before 7/2/95 and received monthly benefits on 10/1/96.
1997	4% 3% 2%	Before 7/2/75* After 7/1/75; before 7/2/83* After 7/1/83; before 7/2/96* *Payable after 6/30/97	$100 or an amount that is a percentage of the pension portion of the retirement benefit based on the number of years since the person retired (whichever is greater).	Before 7/2/96 and received monthly benefits on 10/1/98.

Year Effective	COLA	For Members Who Retired or Were Disabled:	One-Time 13th Check	For Members Who Retired or Were Disabled:
1998	4% 3% 2%	Before 7/2/75* After 7/1/75; before 7/2/83* After 7/1/83; before 7/2/95* *Payable afer 6/30/98	$50 or an amount that is a percentage of the pension portion of the retirement benefit based on the number of years since the person retired (whichever is greater).	Before 7/2/97 and received monthly benefits on 10/1/98.
1999	1.25% 2% 5% 7% 9%	After 7/1/90; before 7/2/95* After 7/1/80; before 7/2/90* After 7/1/70; before 7/2/80* After 7/1/60; before 7/2/70* Before 7/2/60* *Payable after 6/30/99	$50 or an amount that is a percentage of the pension portion of the retirement benefit based on the number of years since the person retired (whichever is greater).	Before 7/2/98 and received monthly benefits on 10/1/99.

Year Effective	COLA	For Members Who Retired or Were Disabled:	One-Time 13th Check	For Members Who Retired or Were Disabled:
1999 (cont.)	In addition to other COLAs, a COLA was provided to those members who retired or were disabled before 7/2/60, to the extent necessary to ensure that the purchasing power of the members' pension portion is at least equal to 50% of the purchasing power of those members' pension portion at the time of their retirements, as determined on 7/1/99 by the PERF Board based on changes in the consumer price index and postretirement increases to the pension portion.			
2000	1% 2% 5% 7% 9%	After 7/1/90; before 7/2/96* After 7/1/80; before 7/2/90* After 7/1/70; before 7/2/80* After 7/1/60; before 7/2/70* Before 7/2/60* *Payable after 6/30/2000	$50 or an amount that is a percentage of the pension portion of the retirement benefit based on the number of years since the person retired (whichever is greater).	Before 7/2/99 and received monthly benefits on 10/1/00.

Year Effective	COLA	For Members Who Retired or Were Disabled:	One-Time 13th Check	For Members Who Retired or Were Disabled:
2000 (cont.)	In addition to other COLAs, a COLA was provided to those members who retired or were disabled before 7/2/75, to the extent necessary to ensure that the purchasing power of the members' pensions is at least equal to 57.4% of the purchasing power of those members' pensions at the time of their retirements, as determined on 7/1/00 by the PERF Board based on changes in the consumer price index and postretirement increases to the pension portion.			
2001	1%	After 6/30/01; before 7/2/99* *Payable after 7/30/01	$100 or an amount that is a percentage of the pension portion of the retirement benefit based on the number of years since the person retired (whichever is greater).	Before 7/2/00 and received monthly benefits on 10/1/01.

Year Effective	COLA	For Members Who Retired or Were Disabled:	One-Time 13th Check	For Members Who Retired or Were Disabled:
2002	None		\$100 or an amount that is a percentage of the pension portion of the retirement benefit based on the number of years since the person retired (whichever is greater).	Before 7/2/01 and received monthly benefits on 10/1/02.

Year Enacted	COLA	For Members Who Retired or Were Disabled:	One Time 13th Check	For Members Who Retired or Were Disabled:
2003	Lesser of: (1) 2%; or (2) the annual cost of living adjustment computed under 42 U.S.C. 415 and published in the Federal Register in accordance with 42 U.S.C. 215(i)(2)(D)	For at least one year on 1/1/03* *Payable beginning on 1/1/03	None	
2004	2%, but monthly increase may not be less than $5.00	For at least one year on 1/1/04, payable after 12/31/03	None	

Year Enacted	COLA	For Members Who Retired or Were Disabled:	One Time 13th Check	For Members Who Retired or Were Disabled:
2004 (cont.)	In addition to other COLAs, minimum benefit of $180 payable after 12/31/03 to members with at least 10 years creditable service and entitled to receive monthly benefit on 12/1/03. Does not apply to members whose only creditable service was earned as an elected official.			
2005	2% but monthly increase may not be less than $5.00	For at least one year on 1/1/05, payable after 1/2/31/04	None	

Funding

The state and participating political subdivisions must contribute to PERF the amount required to actuarially fund the pension benefits. The unfunded accrued liabilities are amortized over 40 years. However, an increase in liability due to a cost-of-living adjustment is amortized over 15 years.

For state employees, the normal cost and amortization of the unfunded accrued liability are part of the fringe benefits for the employing agencies. Participating political subdivisions include the pension costs in their annual budgets.

PERF FUND INFORMATION

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Number of Nonretired Members:										
State	54,981	54,968	53,350	50,939	50,317	52,281	52,579	51,541	50,574	50,100
Munic.	84,950	87,368	88,661	90,443	91,124	93,332	92,440	91,693	92,508	93,600
Number of Retired Members:										
*	42,413	43,785	45,151	46,774	47,954	49,305	50,769	51,092	52,956	54,600

*Includes both state and municipalities

1995-1999 PERF FUND INFORMATION

	1995	1996	1997	1998	1999
Employer Cost					
State	69,107,404	72,200,658	74,650,986	71,687,600	73,931,188
Municipalities	90,211,425	95,007,326	99,239,167	106,012,949	113,011,191
Nonretired Accrued Liability:					
State	1,245,330,865	1,358,810,072	1,465,185,818	1,491,985,623	1,583,485,563
Municipalities	1,440,643,461	1,568,069,058	1,661,044,273	1,775,250,880	1,904,942,574
Nonretired Assets:					
State	1,249,865,324	1,335,189,018	1,447,332,235	1,626,450,185	1,828,584,443
Municipalities	1,454,532,589	1,549,376,114	1,699,981,456	1,925,592,260	2,179,129,218
Nonretired Unfunded Accrued Liability:					
State	(4,534,459)	23,621,054	17,853,583	(134,464,562)	(245,098,880)
Municipalities	(13,889,128)	18,692,944	(38,937,183)	(150,341,380)	(274,186,644)
Total Nonretired Unfunded Accrued Liability	(18,423,587)	42,313,998	(21,083,600)	(284,805,942)	(519,285,524)
Retired Accrued Liability*	1,561,102,678	1,751,629,000	1,893,179,012	2,074,561,350	2,158,639,858
Retired Assets	1,561,102,678	1,751,629,000	1,893,179,012	2,074,561,350	2,158,639,858
Retired Unfunded Accrued Liability	None	None	None	None	None
Annual Benefit Payout*	160,897,189	172,972,370	186,873,389	204,783,234	215,083,571
Average Annual Benefit*	3,794	3,950	4,139	4,378	4,485

2000-2004 PERF FUND INFORMATION

	2000	2001	2002	2003	2004**
Employer Cost:					
State	80,217,996	79,567,647	83,616,958	71,478,739	62,000,000
Municipalities	120,982,270	117,806,990	127,969,004	115,021,551	126,000,000
Nonretired Accrued Liability:					
State	1,701,091,436	1,896,505,744	2,010,177,846	1,860,101,326	2,104,000,000
Municipalities	2,047,213,217	2,254,132,310	2,587,680,763	2,437,633,734	2,801,000,000
Nonretired Assets:					
State	1,960,018,018	2,063,626,964	2,061,789,940	2,078,952,509	2,187,000,000
Municipalities	2,356,057,956	2,504,643,196	2,464,790,490	2,478,161,332	2,647,000,000
Nonretired Unfunded Accrued Liability:					
State	(258,926,582)	(167,121,220)	(51,612,094)	(218,851,183)	(83,000,000)
Municipalities	(308,844,739)	(250,510,886)	122,890,273	(40,527,598)	154,000,000
Total	(567,771,321)	(417,632,106)	71,278,179	(259,378,781)	71,000,000
Retired Accrued Liability*	2,303,679,000	2,426,062,000	2,582,149,078	2,764,974,070	2,961,000,000
Retired Assets	2,303,679,000	2,426,062,000	2,582,149,078	2,764,974,070	2,961,000,000
Retired Unfunded Accrued Liability	None	None	None	None	None
Annual Benefit Payout*	229,845,637	244,320,224	263,009,987	289,667,197	312,000,000
Average Annual Benefit*	4,662	4,812	5,148	5,470	5,714

*Includes both state and municipalities.

**The funding figures for 2004 have been estimated since the 2004 valuation was not completed at the time of publication.

INDIANA STATE TEACHERS' RETIREMENT FUND (TRF)

IC 21-6.1; IC 5-10.2
ACCT. NO. 1000-107450
COLA Payout 1000-107430

The Indiana State Teachers' Retirement Fund (TRF or Fund) was established to pay retirement, disability, and survivor benefits to public school teachers and administrators, regularly employed teachers at certain state universities and other educational institutions, and certain other education employees.

Fund Organization

Legislation enacted by the General Assembly during the 2000 legislative session provides that TRF is an independent body corporate and politic, and not a department or agency of the state. The law specifies that TRF is an independent instrumentality exercising essential government functions.

TRF Board of Trustees

The TRF Board of Trustees (Board) consists of five persons appointed by the governor. At least two trustees must be members of TRF. Trustees serve a four-year term.

The Board administers TRF. The governor appoints a director from the members of the fund to assist the Board. The Board is required to invest the Fund's assets under the prudent investor standard. Under this standard the Board must invest its assets with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The Board is also statutorily required to diversify investments in accordance with prudent investment standards.

The Board is required to manage the Fund's custodial accounts using a bank or trust company domiciled in the United States and approved by the Department of Financial Institutions.

The Board is required to submit annually to the governor, the State Budget Committee, and the Pension Management Oversight Commission a complete operating and financial statement covering TRF's operations.

The Board members are authorized to participate in Board meetings using any means of communication that permits all other Board members participating in the meeting and all members of the public physically present at the place where the meeting is conducted to simultaneously communicate with each other during the meeting.

Confidentiality of TRF Records

TRF records of individual members and membership information are confidential, except for the name and years of service of a fund member. The Board may provide Fund records to an association that has as members at least 20% of the number of retired members of the Fund.

Fund Membership

Members of the Fund include:

(1) legally qualified and regularly employed teachers in the public schools;

(2) persons employed by a governing body of a public school (for example, township board of a school township, board of school commissioners, metropolitan board of education, board of trustees) if the person was qualified before the person's election or appointment;

(3) legally qualified and regularly employed teachers at Ball State University, Indiana State University, University of Southern Indiana, or Vincennes University;

(4) legally qualified and regularly employed teachers in a state educational institution supported wholly by public money and whose teachers devote their entire time to teaching;

(5) legally qualified and regularly employed teachers in state benevolent, charitable, or correctional institutions;

(6) legally qualified and regularly employed teachers in an experimental school of a state university who teach elementary or high school students;

(7) certain instructors serving in a university extension division not covered by state retirement law;

(8) employees and officers of the Department of Education and of the Fund who were qualified before election or appointment;

(9) a person:

(A) who is appointed under IC 20-8.1-7-5 as a school nurse in Gary; and

(B) who in the position described in (A) participated in the Fund before December 31, 1991; and

(10) persons who are employed by the Fund.

A person who teaches in a charter school is a member of the Fund, and service in a charter school is creditable service for the purposes of IC 21-6.1. A charter school must participate in TRF.

Substitute teachers who have not obtained at least an associate degree and teachers in a state institution who accept the benefits of a state-supported retirement benefit system comparable to the Fund's benefits are not eligible to become Fund members, unless permitted by law or the Board's rules.

TRF Accounts and Account Membership

TRF must maintain two separate accounts: the pre-1996 account and the 1996 account. Each account consists of the following subaccounts:

(1) The annuity savings account contains member contributions, interest credited to the amounts invested in the guaranteed fund, and gain or loss in market value on amounts invested in the alternative funds. Each member's annuity savings account is credited individually with the amount of the member's contributions and interest credits.

(2) The retirement allowance account contains all other TRF assets. TRF is required to maintain separate accounts for the contributions made by the state, each school corporation, and each institution to this subaccount of the 1996 account.

The pre-1996 account consists of members hired before July 1, 1995, in a position covered by the Fund and who are not eligible to participate in the 1996 account.

The 1996 account consists of the following members:

(1) Members who were hired or rehired after June 30, 1995, to a covered position.

(2) Members who:

(A) before July 1, 1995, served in a position covered by the Fund; and

(B) after June 30, 1995, and before July 1, 2001, were hired by another school corporation or institution covered by the Fund or rehired by a prior employer that participates in the Fund.

(3) Members described in (2) who, after June 30, 2001, are hired by another school corporation or institution covered by the Fund or rehired by a prior employer that participates in the Fund.

Member Contributions

Members are required to contribute 3% of their compensation to TRF. Compensation means the basic salary earned by a member, plus the amount that would have been part of a member's basic salary except for the member's salary reduction agreement established under Section 125, 403(b), or 457 of the Internal Revenue Code.

In addition, a member is entitled to contribute only on a post-tax basis an additional amount not to exceed 10% of the member's compensation for the payroll period to the member's annuity savings account.

Local school corporations are given the option of making these member contributions on behalf of the corporation's employees.

A member's annuity savings account belongs to the member and not to the state or the member's employer.

Member Rollover Accounts

The Fund may accept, on behalf of an active member, rollover distributions from any of the following:

(1) A qualified plan described in Section 401(a) or Section 403(a) of the Internal Revenue Code.

(2) An annuity contract or account described in Section 403(b) of the Internal Revenue Code.

(3) An eligible plan maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state under Section 457 (b) of the Internal Revenue Code.

(4) An individual retirement account or annuity described in Section 408(a) or Section 408(b) of the Internal Revenue Code.

Any amounts rolled over must be accounted for in a separate "rollover account." The member may direct the investment of the "rollover account" into any of the alternative investment options that the Board makes available (see below); however, the "rollover account" may not be invested in the guaranteed account.

A member may withdraw the "rollover account" in a lump sum at any time before retirement. At retirement, the member may withdraw the "rollover account" using any of the retirement options that are available for the member's annuity savings account (see below), including the deferral of a withdrawal.

Vesting

A member is vested and entitled to a retirement benefit when the member accumulates at least ten years of creditable service in a position covered by TRF.

Creditable Service

For the purpose of computing benefits, creditable service includes:
(1) service in a position covered by TRF; plus
(2) all other service for which TRF gives credit.

A. <u>Earned Service in Position Covered by TRF</u>

A member earns one year of creditable service when the member serves:
(1) at least 120 days in a year; or
(2) at least 60 days in each of 2 years.
A member may not receive more than one year of creditable service in a calendar year or fiscal year.

B. <u>Credited Service</u>

1. *Out-of-State Service*

"Out-of-State Service" means service:
(1) in any state;
(2) on a United States military installation;
(3) in a federal prison; or
(4) at an educational facility operated or supervised by the Bureau of Indian Affairs;
in a comparable position that would be creditable service if performed in Indiana.

In computing the service credit for a TRF member who began teaching in Indiana before July 1, 1981, and who served as a public school teacher out of state, the TRF Board may include the greater of:

(1) eight years; or

(2) one year of out-of-state service for every four years of in-state service.

However, this out-of-state service may be included only if rendered before July 1, 1981.

In addition, a member may purchase additional out-of-state service credit if the member:

(1) has at least one year of creditable service in the Fund;

(2) makes contributions, before the member retires, to the Fund:

(A) that are equal to the product of:

(i) the member's salary at the time the member actually makes a contribution for the service credit;

(ii) a percentage rate, as determined by the actuary for the Fund, based on the age of the member at the time the member actually makes a contribution for the service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased; and

(iii) the number of years of out-of-state service the member intends to purchase; plus

(B) any accrued interest, at a rate determined by the actuary for the Fund, for the period from the member's initial membership in the Fund to the date payment is made by the member; and

(3) has received verification from the Fund that the out-of-state service is, as of that date, valid.

Out-of-state years that qualify a member for retirement in an out-of-state system or in any federal retirement system may not be granted by the Fund.

At least ten years of in-state service are required before a member may claim any out-of-state service credit.

If a member:

(1) terminates employment before satisfying the eligibility requirements necessary to receive a benefit from TRF; or

(2) receives a benefit for the same service from another tax-supported public employee retirement plan, other than federal Social Security.

The member may withdraw personal contributions made to purchase service, plus accumulated interest, after submitting an application for a refund to the Fund.

In addition, the following restrictions apply to the purchase of out-of-state service credit:

(1) The TRF Board may allow a member to make periodic payments of the contributions required for the purchase of the service credit. The Board must determine the length of the period during which the payments must be made.

(2) The Board may deny an application for the purchase of service credit if the purchase would exceed certain limitations under Section 415 of the Internal Revenue Code.

(3) A member may not claim the service credit for purposes of determining eligibility or computing benefits unless the member has made all payments required for the purchase of the service credit.

Contributions received after July 1, 1993, for the purchase of out-of-state service credit are to be applied against the unfunded accrued liability of the Fund.

2. *Private Teaching Service*

"Private teaching service" means service in Indiana as a teacher in a private school, kindergarten through post-secondary, that would be creditable service if performed in an accredited public school in Indiana.

A TRF member may purchase private teaching service credit if:

(1) the member has at least one year of creditable service in the Fund;

(2) the member makes contributions, before the member retires, to the Fund that are equal to:

(A) the product of:

(i) the member's salary at the time the member actually makes a contribution for the service credit;

(ii) a percentage rate, as determined by the actuary of the fund, based on the age of the member at the time the member makes a contribution for service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased; and

(iii) the number of years of private teaching service the member intends to purchase; plus

(B) any accrued interest, at a rate determined by the actuary of the Fund, for the period from the member's initial membership in the Fund to the date payment is made by the member; and

(3) the Fund receives verification from the private school that the private teaching service occurred.

Service for years of private teaching that qualify a member for retirement in an out-of-state system, a private retirement system, or in any federal retirement system may not be granted by the Fund.

At least ten years of in-state credited service are required before a member may claim any private teaching service credit.

If a member:

(1) terminates employment before satisfying the eligibility requirements necessary to receive a benefit from TRF; or

(2) receives a benefit for the same service from another tax-supported public employee retirement plan, other than federal Social Security;

the member may withdraw personal contributions made to purchase service, plus accumulated interest, after submitting an application for a refund to the Fund.

In addition, the following restrictions apply to the purchase of private teaching service credit:

(1) The TRF Board may allow a member to make periodic payments of the contributions required for the purchase of the service credit. The Board must determine the length of the period during which the payments must be made.

(2) The Board may deny an application for the purchase of service credit if the purchase would exceed certain limitations under Section 415 of the Internal Revenue Code.

(3) A member may not claim the service credit for purposes of determining eligibility or computing benefits unless the member has made all payments required for the purchase of the service credit.

3. *Substitute Teaching Service*

"Substitute teaching service" means service in Indiana by a person who has completed other service that qualifies the person to be a member of the Fund, but does not include service by a substitute teacher who has not obtained at least an associate degree.

A TRF member may purchase substitute teaching service if:

(1) the member has at least one year of creditable service in the Fund;
(2) the member makes contributions, before the member retires, to the Fund that are equal to:
(A) the product of:
(i) the member's salary at the time the member actually makes a contribution for the service credit;
(ii) a percentage rate, as determined by the actuary of the fund, based on the age of the member at the time the member makes a contribution for service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased; and
(iii) the number of years of substitute teaching service the member intends to purchase; plus
(B) any accrued interest, at a rate determined by the actuary of the Fund, for the period from the member's initial membership in the Fund to the date payment is made by the member; and
(3) the Fund receives verification from the school corporation that the substitute teaching service occurred.

Service for years of substitute teaching that qualify a member for retirement in an out-of-state system or in any federal retirement system may not be granted by the Fund.

If a member:
(1) terminates employment before satisfying the eligibility requirements necessary to receive a benefit from TRF; or
(2) receives a benefit for the same service from another tax-supported public employee retirement plan, other than federal Social Security.

The member may withdraw personal contributions made to purchase service, plus accumulated interest, after submitting an application for a refund to the Fund.

In addition, the following restrictions apply to the purchase of substitute teaching service credit:

(1) The Board may allow a member to make periodic payments of the contributions required for the purchase of the service credit. The Board must determine the length of the period during which the payments must be made.

(2) The Board may deny an application for the purchase of service credit if the purchase would exceed certain limitationsunder Section 415 of the Internal Revenue Code.

(3) A member may not claim the service credit for purposes of determining eligibility or computing benefits unless the member has made all payments required for the purchase of the service credit.

4. *Leave Service*

A member may be given credit for leaves of absence for study, professional improvement, and temporary disability so long as the credit does not exceed one-seventh of the total years of service claimed for retirement (the "one-seventh rule").

Other Educational Employment

A member granted a leave for other educational employment approved individually by the Board is considered a teacher and is entitled to the benefits of the Fund for and during the leave, if the member pays into the Fund the member's contributions.

A member does not accrue creditable service for leave for other educational employment unless the service is directly related to a governmental unit that satisfies the requirements of Section 414(d) of the Internal Revenue Code.

For members receiving credit for leave for other educational employment, the Board assesses an actuarially determined employer share amount against the appropriate entity to be paid to the state General Fund.

Leave for other educational employment is not subject to the one-seventh rule.

Federally Supported Educational Project

For a teacher requesting a leave to work in a federally supported educational project, the Board must determine that the project is educational in nature and serves state citizens who might otherwise be served by the public schools. The Board makes this determination for a one-year period, subject to later review and reapproval.

Other Leaves

The following leaves, not to exceed one year, must be credited to retirement:

(1) A sabbatical described in IC 20-6.1-6-2.
(2) Sickness.
(3) Disability.
(4) Adoption.

Family and Medical Leave Act (FMLA)

Leaves must be granted in a manner consistent with the Family and Medical Leave Act of 1993 (29 U.S.C. 2601 *et seq.*) (FMLA). A member on a leave of absence that qualifies for the benefits and protections afforded by FMLA is entitled to receive credit for vesting and eligibility purposes to the extent required by FMLA, but is not entitled to receive credit for service for benefit purposes unless the leave is for:

(1) study, professional improvement, or temporary disability;
(2) a Board-approved federally supported educational project; or
(3) a sabbatical, sickness, disability, or adoption, not to exceed one year.

5. *Military Service*

Notwithstanding the provisions in this section, a member is entitled to military service credit and benefits in the amount and to the extent required by the Uniformed Services Employment and Reemployment Rights Act (38 U.S.C. 4301 *et seq.*).

A member who began but did not complete four years of approved college teacher training before voluntary or involuntary induction into military service is entitled to service credit in an amount equal to the duration of that military service if the following conditions are met:

(1) The member received an honorable discharge.

(2) Unless the Board extended the time, the member returned to a four-year approved college teacher training program within 18 months after the completion of active military service and subsequently completed that program.

(3) The member has at least ten years of in-state service credit.

A member employed at a state institution of higher education who began but did not complete baccalaureate or post-baccalaureate training before voluntary or involuntary induction into military service is entitled to service credit in an amount equal to the duration of that military service if the following conditions are met:

(1) The member received an honorable discharge.

(2) Unless the Board extended the time, the member returned to baccalaureate or post-baccalaureate training within 18 months after completion of active military service and subsequently completed that training.

(3) The member has at least ten years of in-state service credit.

The maximum amount of military service credit that may be granted to a member is six years.

The Board shall extend the 18-month deadline if the Board determines that an illness, an injury, or a disability related to the member's military service prevented the member from returning to active teaching service or to a teacher training program within 18 months after the member's discharge from military service. However, the Board may not extend the deadline beyond 30 months after the member's discharge.

If a member retires, and the Board subsequently determines that the member is entitled to additional military service credit due to the extension of a deadline, the Board must recompute the member's benefit. However, the additional service credit may be used only in the computation of benefits to be paid after the date of the Board's determination, and the member is not entitled to a recomputation of benefits received before the date of the Board's determination.

<u>Purchase of Military Service Credit</u>

An active member who meets the following requirements may purchase not more than two years of military service credit for the member's service on active duty in the armed services:

(1) The member has at least one year of credited service in the Fund.

(2) The member serves on active duty in the United States armed services for at least six months.

(3) The member receives an honorable discharge from the armed services.

(4) Before the member retires, the member makes contributions to the Fund as follows:

(A) Contributions that are equal to the product of the following:

(i) The member's salary at the time the member actually makes a contribution for the service credit.

(ii) A rate, determined by the actuary of the Fund, that is based on the age of the member at the time the member actually makes a contribution for service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased.

(iii) The number of years of service credit the member intends to purchase.

(B) Contributions for any accrued interest, at a rate determined by the actuary of the Fund, for the period from the member's initial membership in the Fund to the date payment is made by the member.

A member may purchase military service credit only to the extent that TRF does not otherwise grant service credit for the member's military service.

At least ten years of service in Indiana is required before a member may receive a benefit based on purchased service credits.

A member who:

(1) terminates employment before satisfying the eligibility requirements necessary to receive a benefit from TRF; or

(2) receives a benefit for the same service from another tax-supported public employee retirement plan, other than federal Social Security;

may withdraw the purchase amount, plus accumulated interest, after submitting a refund application to the Fund.

The following provisions apply to the purchase of military service credit:

(1) The Board may allow a member to make periodic payments of the contributions required for the purchase of the military service credit. The Board determines the length of the period during which the payments must be made.

(2) The Board may deny an application for the purchase of military service credit if the purchase would exceed the limitations under Section 415 of the Internal Revenue Code.

(3) A member may not claim the service credit for purposes of determining eligibility or computing benefits unless the member has made all payments required for the purchase of the service credit.

6. *General Assembly Service*

If a member who is a legislator participates in, but does not qualify for a benefit from, the Legislators' Defined Benefit Plan, the Board must include the member's service in the General Assembly in the determination of eligibility for and computation of benefits under TRF at the time the member is eligible to receive benefits under TRF. After a member begins receiving benefits from TRF with the General Assembly service included, the member's General Assembly service may not be used to compute benefits in the Legislators' Defined Benefit Plan.

C. <u>Purchase of Service Credit</u>

A member who has earned at least ten years of service in a position covered:

(1) by the Fund; or

(2) by a combination of the Fund and PERF;

may purchase one year of service credit for each five years of service that the member has completed in a position covered by the Fund.

Before the member retires, the member makes contributions to the Fund as follows:

(1) Contributions that are equal to the product of the following:

(A) The member's salary at the time the member actually makes a contribution for the service credit.

(B) A rate, determined by the actuary of the Fund, that is based on the age of the member at the time the member actually makes a contribution for service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased.

(C) The number of years of service credit the member intends to purchase.

(2) Contributions for any accrued interest, at a rate determined by the actuary of the Fund, for the period from the member's initial membership in the Fund to the date payment is made by the member.

The following provisions apply to the purchase of service credit:

(1) The Board may allow a member to make periodic payments of the contributions required for the purchase of the service credit. The Board determines the length of the period during which the payments must be made.

(2) The Board may deny an application for the purchase of service credit if the purchase would exceed the limitations under Section 415 of the Internal Revenue Code.

(3) A member may not claim the service credit for purposes of determining eligibility or computing benefits unless the member has made all payments required for the purchase of the service credit.

A member who terminates employment before satisfying the eligibility requirements necessary to receive a benefit from TRF may withdraw the purchase amount, plus accumulated interest, after submitting a refund application to the Fund. However, the member must also apply for a refund of the member's entire annuity savings account in order to be eligible for a refund of the member's rollover amount.

Local school corporations may adopt an ordinance to pay all or a part of the member contributions required for the purchase of service credit.

D. <u>Use of Rollovers to Purchase Service Credit</u>

The Fund may accept rollover contributions from a member making payments for additional service credit described above if the following conditions are met:

(1) The rollover contribution must represent all or any portion of the member's interest in one of the following:

(A) A qualified plan described in Section 401(a) or Section 403(a) of the Internal Revenue Code.

(B) An annuity contract or account described in Section 403(b) of the Internal Revenue Code.

(C) An eligible plan maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state under Section 457 (b) of the Internal Revenue Code.

(D) An individual retirement account or annuity described in Section 408(a) or Section 408(b) of the Internal Revenue Code.

(2) The amount of the rollover contribution may not exceed the amount required to purchase the service credit.

(3) The rollover contribution may contain only tax-deferred contributions and earnings on the contributions, and may not include any post-tax contributions.

(4) The member must be otherwise eligible to purchase the service credit.

The Fund may also accept, on behalf of a member who is purchasing permissive service credit, a trustee-to-trustee transfer from:

(1) an annuity contract or account described in Section 403(b) of the Internal Revenue Code; or

(2) an eligible deferred compensation plan under Section 457(b) of the Internal Revenue Code.

Cash transferred to the fund as a rollover contribution must be deposited in the retirement allowance subaccount in the pre-1996 account or the 1996 account, whichever is appropriate.

A member who terminates employment before satisfying the eligibility requirements necessary to receive a benefit from TRF may withdraw the member's rollover contribution, plus accumulated interest, after submitting a refund application to the Fund. However, the member must also apply for a refund of the member's entire annuity savings account in order to be eligible for a refund of the member's rollover amount.

E. Transfer of Creditable Service

A member who:

(1) has attained vested status in the Fund;

(2) has terminated employment;

(3) has not begun receiving benefits; and

(4) is transferring creditable service earned under TRF to another governmental retirement plan;

may suspend the member's membership in TRF and withdraw the member's annuity savings account to purchase creditable service in the other governmental retirement plan.

Retirement Age

A member is entitled to normal retirement benefits if:

(1) the member is at least 65 years of age and has at least ten years of creditable service;

(2) the member is at least 60 years of age and has at least 15 years of creditable service; or

(3) the member is at least 55 years of age and the member's age in years plus years of creditable service equal at least 85.

Early Retirement

A member who is at least 50 years of age and has at least 15 years of creditable service may retire with a reduced benefit.

The member's retirement benefit is reduced:

(1) one-tenth percent (1/10%) for each month the member retires at or before age 60 and before age 65; or

(2) five-twelfths percent (5/12%) for each month a member retires before age 60, plus 6%.

Retirement Benefits

Benefits received by a retired member of TRF are derived from two sources:

(1) a pension from the retirement allowance subaccount funded by:

(A) the state for members of the pre-1996 account; or

(B) the employer (the state or the local school corporation) for members of the 1996 account; and

(2) an annuity savings account financed by employee member contributions.

Unless a member elects otherwise, the retirement benefit for each member consists of the sum of a pension provided by employer contributions plus an annuity provided by the amount credited to the member in the annuity savings account.

A. Pension Portion

1. *Benefit Computation*

The pension portion of the retirement benefit is determined by the following formula (set forth at IC 5-10.2-4-4):

> Average of the Annual Compensation
> x .011
> x Years of creditable service
> = Annual Pension at Normal Retirement

2. *Average of the Annual Compensation*

The "average of the annual compensation" for a TRF member means the average annual compensation for the five years of service before retirement in which the member's annual compensation was the highest. In order for a year to be included in the five years, the member must have received credit for at least one-half year of service. The five years do not have to be continuous.

"Annual compensation" used in determining the member's average of the annual compensation means the basic salary earned by and paid to the member, plus:

(1) the amount that would have been part of that salary but for:

(A) the employer paying the member's contribution to the Fund on behalf of the member (i.e., contributions "picked-up" by the employer); or

(B) the member's salary reduction agreement under Section 125 (cafeteria plan), Section 403(b) (tax- sheltered annuity), or Section 457 (qualified deferred compensation agreement) of the Internal Revenue Code; and

(2) compensation of no more than $2,000 received from the employer in contemplation of the member's retirement, including severance pay, termination pay, retirement bonus, or commutation of unused sick leave or personal leave, if the amount is received:

(A) before the member ceases service; or

(B) within 12 months after the member ceases service.

The portion of a back pay award or a similar award that the Board determines is compensation under an agreement or a judicial or administrative proceeding is allocated by the Board among the years the member earned or should have earned the compensation.

Interest on the award is not considered annual compensation for any year.

If a member receives annual compensation from two or more employers, the average of the annual compensation is the sum of the two or more annual compensations if:

(1) each employer and the member made all required contributions to the Fund; and

(2) the member served in at least one position that normally required more than 600 hours of service during the year.

For a member who retires after May 31, 2004, and serves in an elected position for which the member takes an unpaid leave of absence, the "average of the annual compensation" means the annual compensation for the one year of service before retirement in which the member's annual compensation was the highest. "Annual compensation" for the member (for years of service for which IC 21-6.1-5-7.5 does not apply) means the basic salary that was not paid during the year, but would have been paid to the member under the member's employment contracts if the member had not taken an unpaid leave of absence to serve in an elected position. In order for a year to be used, the member must have received credit for at least one-half year of service.

B. Annuity Portion

1. *Investment Options*

Prior to July 1, 1998

A member could invest the member's annuity savings account contributions in the following investment options:

(1) The Guaranteed Fund: Interest on the member's contributions was credited at a rate annually determined by the Board. Principal and interest were guaranteed with the market risk being assumed by the Fund. Distributions, withdrawals, and transfers were at book value.

(2) The Bond Fund: A member's contributions were invested in fixed-income instruments which were intended to provide both interest and capital gain income. The market risk was assumed by the member. Distributions, withdrawals, and transfers were at market value.

(3) The Money Market Fund: A member's contributions were invested in a money market fund that held a variety of short-term

investments having maturities of one year or less. These investments included obligations of the United States government and federal agencies. The market risk was assumed by the member. Distributions, withdrawals, and transfers were at market value.

A member could annually select the investment option in which the member's contributions would be invested. The contributions of new members were automatically invested in the Guaranteed Fund. A member who invested the member's contributions in the Bond Fund or the Money Market Fund could not return to the Guaranteed Fund.

After June 30, 1998

In response to the ratification of the Indiana constitutional amendment allowing public pension funds to invest in equities, the General Assembly enacted legislation in 1997 requiring TRF to add alternative investment programs representing a variety of investment objectives, including at least one indexed stock fund and one bond fund, to the Guaranteed Fund, Bond Fund, and Money Market Fund investment options described above.

In addition to the Guaranteed Fund, Bond Fund, and Money Market Fund, members currently have these investment options:

(1) The S&P 500 Stock Index Fund: A member's contributions are invested in a fund that duplicates the Standard and Poor's (S & P) 500 Stock Index.
(2) The U.S. Small Company Stock Fund: A member's contributions are invested in a fund that invests in smaller United States companies.
(3) The International Stock Fund: A member's contributions are invested to provide a broad exposure to foreign equity markets.

A member of TRF is able to make an investment selection or change an existing investment selection for the member's annuity savings account contributions once each quarter. The Board must implement the member's selection on the first day of the next calendar quarter that begins at least 30 days after the selection is received by the Board. A member can select any combination of the Guaranteed Fund or any of the available alternative investment programs in 10% increments.
A member's selection remains in effect until a new selection is made.

Contributions to the Guaranteed Fund and the alternative investment programs are invested as of the last day of the quarter in which the contributions are received. Contributions to the Guaranteed Fund begin to accumulate interest at the beginning of the quarter after the quarter in which the contributions are received. The market value of each alternative investment program is allocated at least annually to members participating in that program.

When a member who participates in the Guaranteed Fund retires, dies, becomes disabled, or suspends membership and withdraws from the Fund, the amount credited to the member is computed without regard to market value and is based on the balance of the member's account in the Guaranteed Fund as of the last day of the quarter preceding the effective date of the member's distribution or annuitization, plus interest and any contributions received after that date.

When a member transfers the amount credited to the member's Guaranteed Fund to an alternative investment program, the amount credited to the member's Guaranteed Fund is computed without regard to market value and is based on the balance of the member's account in the Guaranteed Fund as of the last day of the quarter preceding the effective date of the transfer.

When a member who participates in an alternative investment program retires, dies, becomes disabled, or suspends membership and withdraws from the Fund, the amount credited to the member is valued at the market value of the member's investment as of the last day of the quarter preceding the member's distribution or annuitization, plus contributions received after that date.

When a member who participates in an alternative investment program transfers the amount credited to the member from one alternative investment program to another alternative investment program or to the Guaranteed Fund, the amount credited to the member is valued at the market value of the member's investment, as of the day before the effective date of the member's selection.

2. *Annuity Savings Account Crediting and Earning Rates*

	Guaranteed	**Bond**	**Money Market**	**S&P 500**	**Small Cap**	**Int'l. Stock**
1993:	10.00%	12.34%	4.62%			
1994:	9.00%	-0.84%	3.35%			
1995:	9.00%	11.19%	6.43%			
1996:	9.00%	4.30%	5.90%			
1997:	8.50%	7.13%	6.03%			
1998:	1.94%	2.13%		21.23%	22.31%	22.91%
1999:	8.00%	1.04%		36.37%	34.66%	29.74%
2000:	7.75%	5.99%		7.21%	38.65%	26.27%
2001:	7.75%	11.08%		-14.71%	7.58%	-24.13%
2002:	7.50%	5.54%		-17.96%	-4.46%	-11.98%
2003:	7.00%	13.85%		0.31%	-1.33%	-7.15%
2004:	6.75%	2.15%		18.99%	29.28%	29.58%

B. <u>Annuity Savings Account Distribution Options</u>

A member has four payment options regarding the annuity savings account. A member may elect the following:

(1) To <u>receive an annuity</u> in an amount purchasable on the member's retirement date by the amount credited to the member's annuity savings account as part of the member's retirement benefit. The amount purchasable is based on actuarial tables adopted by the Board at an interest rate determined by the Board. The annuity is payable in monthly installments for life to the member. If the member elects an alternative retirement option, the terms of that option control the payment of the annuity portion of the benefit.

(2) To <u>withdraw the entire balance</u> credited to the member's annuity savings account. If the member chooses this option, the member is not entitled to an annuity as part of the member's retirement benefit.

(3) To <u>withdraw the member's federal income tax basis</u> in the member's annuity savings account as of December 31, 1986. If the member chooses this option, the member is entitled to an annuity purchasable by the remaining balance in the member's annuity savings account. This annuity is payable in monthly installments for the life of the member. If the member elects an alternative retirement option, the terms of that option control the payment of this portion of the benefit.

(4) To <u>defer</u> receiving in any form the member's annuity savings account. If a member chooses this option, the member:

(A) is not entitled to an annuity as part of the member's retirement benefit, and the annuity savings account continues to be invested according to the member's direction; and

(B) later may choose, as of the first day of a month, to receive a distribution of:

(i) the entire amount credited to the member in the annuity savings account, in which case, the member is not entitled to an annuity as part of the member's retirement benefit; or

(ii) an amount equal to the member's federal income tax basis in the member's annuity savings account as of December 31, 1986, in which case, the member is entitled to an annuity purchasable by the remaining balance in the member's annuity savings account.

If the member does not choose a distribution option, the member is entitled to an annuity purchasable by the entire amount in the member's annuity savings account, and the annuity will take the form required by Section 401(a)(9) of the Internal Revenue Code, unless the member has selected a benefit payment option other than the five year guaranteed payment option.

Benefit Payment Options

A. Before a Member's Retirement

If a member dies before retirement, the designated beneficiary may receive only the amount credited to the member's annuity savings account, unless the designated beneficiary is entitled to survivor benefits described below.

B. Five-Year Guaranteed Payments

A retiring member is entitled to receive monthly retirement benefits that are guaranteed for five years or until the member's death, whichever is later.

C. Other Payment Options

In lieu of the five-year guaranteed payment option, a member may select in writing any of the following non-conflicting options for the payment of the member's retirement benefit:

(1) Joint and Survivor Option.

A member receives a decreased retirement benefit during the member's lifetime, and a benefit is payable after the member's death to a designated beneficiary during the beneficiary's lifetime. The member selects whether the beneficiary's benefit is the full decreased retirement benefit or two-thirds or one-half of that benefit.

(2) Benefit with No Guarantee Option.

A member receives an increased lifetime retirement benefit without the five-year payment guarantee.

(3) Payment Integrated with Social Security Option.

A member who retires before the age of eligibility for Social Security benefits elects to receive a level benefit during retirement in which case the member receives an increased retirement benefit until the age of Social Security eligibility and a decreased retirement benefit after that age.

(4) Cash Refund Annuity Option.

A member receives a lifetime annuity purchasable by the amount credited to the member's annuity savings account, and the member's designated beneficiary receives a refund payment equal to:

(A) the total amount used in computing the annuity at the member's retirement date; minus

(B) the total annuity payments paid and due the member before the member's death.

D. <u>Beneficiary Designations</u>

If a designated beneficiary dies before a member retires, the selection is automatically cancelled. The member may make a new beneficiary election and change the benefit payment option.

If:

(1) the designated beneficiary dies while the member is receiving benefits; or

(2) the member marries (for the first time or after the death of the member's spouse) after the member's first benefit payment is made, and the member's designated beneficiary is not the member's current spouse or the member has not designated a beneficiary;

the member may change the member's designated beneficiary or form of benefit and receive an actuarially adjusted and recalculated benefit for the remainder of:

(A) the member's life; or

(B) the member's life and the life of the newly designated beneficiary.

The member may not elect to change to a five-year guaranteed form of benefit. If the member's new election is the joint and survivor option, the member indicates whether the designated beneficiary's benefit will equal the member's full recalculated retirement benefit or two-thirds or one-half of the member's full recalculated benefit. The member bears the cost of recalculating the benefit.

A member may direct that the member's retirement benefit be paid to a revocable trust that permits the member unrestricted access to the amounts held in the trust. The member's direction is not considered an assignment or transfer of benefits.

Payment of Benefits

A member's retirement benefit payments must start not more than 90 days after the member's application for benefits is completed and filed. After the first benefit payment, a member must receive monthly benefit payments by the tenth day of each month.

Except when a member is permitted to change the designation of a beneficiary as described above, a member may not change:

(1) the member's benefit payment option;

(2) the selection of a lump sum payment of the member's annuity savings account as a distribution option; or

(3) the beneficiary designation if the member selects the joint and survivor payment option;

after the first day of the month in which the member's benefit payments are scheduled to begin. It is immaterial whether a benefit check has been sent, received, or negotiated.

Estimated Benefit Payments

TRF may estimate and pay 85% the pension portion of a member's retirement benefit if:

(1) the member has applied for a retirement benefit and has chosen a date on which the benefit is to begin;

(2) the member's membership records are incomplete or have not been certified; and

(3) the member's membership records submitted to the Fund establish that the member is entitled to a retirement benefit.

After the Fund determines the member's actual retirement benefit, the Fund must temporarily adjust the retirement benefit paid to the member to reconcile any underpayment or overpayment that results from the payment of estimated benefits. The Fund may make the temporary adjustment of the retirement benefit paid to the member over a reasonable time, as determined by the Board.

Benefits Exempt From Legal Process; Assignment of Benefits

Benefits payable from the Fund are exempt from seizure or levy on attachment, supplemental process, and all other processes.

A member's transfer of a benefit from the Fund is void. A member may assign benefits to pay:

(1) premiums on a group, life, hospitalization, surgical, or medical insurance plan maintained in whole or in part by a state agency; and

(2) dues to an association that proves to the Board's satisfaction that the association has as members at least 20% of the number of retired members of the Fund.

Special Benefit

A retired member is entitled to a supplemental retirement benefit paid by the Fund as long as the member meets the following conditions:

(1) The member currently receives an a retirement benefit from the Fund.

(2) The member is at least 65 years of age.

(3) The member is eligible for less than $200 per month in retirement benefits under the federal Social Security Act.

The amount of the supplemental benefit is the difference between $200 and the total of all retirement benefits that the member is eligible to receive under the federal Social Security Act.

The General Assembly must appropriate from the state General Fund the amount necessary to pay this benefit.

Withholding of Benefits

The Board may stop a member's benefit in the following instances:

(1) The member fails to report for a required examination, unless excused by the Board.

(2) The member disobeys the requirements of the Board regarding an examination.

(3) The member refuses to repay an overpayment of benefits.

(4) The Board has reasonable cause to believe that:
(A) the member has died; or
(B) the member is no longer disabled.

Reemployment After Retirement

When a member who:
(1) is receiving retirement benefits; and
(2) is less than the Social Security normal retirement age for unreduced benefits;
becomes reemployed in a position covered by PERF or TRF and earns in that position more than $25,000 (computed for the fiscal year in which a retired TRF member is reemployed), the member's benefit payments stop, and the member begins making employee contributions to the Fund. The employer of the retired member must make employer contributions to the Fund for the member throughout the member's period of reemployment. The earnings limitation does not apply to a member who has attained the Social Security normal retirement age for unreduced benefits.

If a member who is receiving retirement benefits is reemployed in a position covered by PERF or TRF less than 90 days after the member's retirement, the member's benefit payments stop, and the member begins making employee contributions to the Fund. The employer of the retired member must make employer contributions to the Fund for the member throughout the member's period of reemployment.

If a member dies during reemployment, the member's retirement benefits that are payable from before the member's reemployment are paid without change plus any additional benefit the member earned during reemployment.

Contributions and interest credited to the member's annuity savings account are paid upon termination of the member's reemployment to a member who is reemployed for fewer than 90 consecutive school days.

When a member is reemployed for more than 90 consecutive school days, the member receives an additional benefit upon termination of reemployment. The additional benefit is the sum of a supplemental pension, computed using the member's years of service and average compensation during reemployment, and a supplemental annuity, provided by contributions and interest credited to the member during reemployment. The additional benefit is payable as the member chooses from any of the payment options available to the member for payment of the member's original retirement benefit.

Election or Appointment to Elected Position Covered by TRF or PERF; Other Service

If a member who is receiving retirement benefits is elected or appointed to an elected position covered by TRF or PERF, the member must file a written, irrevocable election with the Board to continue or discontinue retirement benefits while the member holds the elected position.

If a member :

(1) is elected or appointed to an elected position and:

(A) attains at least 55 years of age; and

(B) completes at least 20 years of service; or

(2) is serving in any other position covered by TRF or PERF and:

(A) attains at least 70 years of age; and

(B) completes at least 20 years of service;

while holding the position, the member may file a written, irrevocable election to begin receiving retirement benefits to which the member is entitled by age and service.

If the member elects to discontinue receiving retirement benefits, the member must make employee contributions to the Fund and accrues an additional benefit computed and payable as described above for a member who is reemployed after retirement when the member leaves the elected position.

If the member elects to continue or begin receiving benefits:

(1) the member may continue to make employee contributions to the Fund, but is not required to do so; and

(2) the member waives the accrual of service credit and the right to an additional benefit from service in the position, except to the extent that the value of the accrual of additional service credit and a supplemental benefit exceeds the actuarial value of the benefit which the member has elected to continue or receive.

If a member elected or appointed to an elected position makes the election described above to continue or begin receiving retirement benefits, the member's employer must make employer contributions to the Fund only for past service liability based on the salary of the position to which the member has been elected or appointed.

Disability Benefits

A member is eligible for classroom disability benefits from the Fund if the member:

(1) has at least five years of creditable service;

(2) has a temporary or permanent disability that continues for six months or more; and

(3) applies for the classroom disability benefits within one year of the disability.

The Board may waive the one-year filing requirement if the Board finds extenuating circumstances that justifiably prevented the member from applying within one year.

The classroom disability benefit is equal to $125 per month plus an additional $5 per month for each year of service over five years. Each classroom disability payment is charged against the retirement allowance account.

The Board orders payment of a classroom disability benefit after a physical examination of the member by a physician selected by the Board. No benefits can be paid after an examination by the Board's physician establishes to the Board's satisfaction that the disability is removed. If a member refuses to submit to an examination by the Board's physician, the Board must discontinue benefits until the member complies. If the member's refusal continues for one year, the member's right to disability benefits may be canceled.

If a member:

(1) dies while receiving disability benefits; or

(2) returns to teaching and dies before retirement;

the total disability benefit that the member received is deducted from the amount paid to the member's designated beneficiary or estate.

At 65 years of age or a selected earlier retirement date, the member may request that the disability benefit cease and the member's retirement benefit begin. A member's retirement benefit may not be reduced because the member received a disability benefit.

Alternative Disability Benefit

A member who:

(1) has at least five years of creditable service; and

(2) is determined to be disabled by the Social Security Administration;

may elect to receive disability benefits under IC 5-10.2-4-6, if the disability occurred after June 30, 1984. The amount of this disability benefit is determined by the formula for normal retirement using the years of creditable service worked to the date of disability and without any reduction for early retirement. The monthly disability retirement benefit may not be less than $100 per month. Annual verification of Social Security disability is required until the member becomes age 65.

Survivor Benefits

A. <u>Surviving Spouse and Surviving Dependents</u>

1. *Generally*

A surviving spouse or surviving dependent of a member is entitled to receive a survivor benefit if the member:

(1) dies after March 31, 1990;

(2) while in service in a position covered by the Fund:

(A) with at least ten years of creditable service, if the member dies in service as a member of the General Assembly;

(B) with at least 15 years of creditable service; or

(C) with at least ten years but not more than 14 years of creditable service, if the member was at least 65 years of age; and

(3) the survivor qualifies for a survivor benefit.

Survivor benefits must be reduced by any disability benefits paid to the member.

2. *Surviving Spouse*

A surviving spouse who was married to the deceased member for at least two years is entitled to receive a survivor benefit equal to the monthly benefit payable to the spouse under the joint and survivor option upon the member's death following retirement at the later of:

(1) age 50; or

(2) the actual date of death.

The Board may determine that a surviving spouse who was married at least two years to a member who:

(1) dies after June 30, 1996;

(2) has at least 30 years of creditable service; and

(3) dies in service in a position covered by the Fund;

is entitled to a monthly benefit payable under the joint and survivor option upon the member's death following retirement at the later of: (a) 55 years of age; or (b) the actual date of death.

3. *Surviving Dependents*

If the member dies without a surviving spouse who was married to the member for at least two years, but with a surviving dependent, the surviving dependent is entitled to receive a monthly amount equal to the actuarial equivalent of the monthly benefit that would have been payable to the spouse (assuming the spouse had the same birth date as the member) under the joint and survivor option upon the member's death following retirement at the later of:

(1) 50 years of age; or

(2) the actual date of death.

If the member:

(1) dies after June 30, 1996;

(2) has at least 30 years of creditable service; and

(3) dies in service in a covered position;

the surviving dependent's benefit is a monthly amount equal to the actuarial equivalent of the monthly benefit that would have been payable to the spouse (assuming the spouse had the same birth date as the member) under the joint and survivor option upon the member's death at the later of: (a) 55 years of age; or (b) the actual date of death.

If there is more than one surviving dependent, the actuarial equivalent of the benefit described above is calculated and, considering the dependents' attained ages, an equal dollar amount determined as the monthly benefit paid to each dependent.

These monthly benefits are payable to the surviving dependent until the earlier of:

(1) the date the surviving dependent reaches age 18; or

(2) the surviving dependent's death.

However, if the surviving dependent is permanently and totally disabled at the time the surviving dependent becomes age 18 (using disability guidelines established by the Social Security Administration), the benefit is payable until the date the surviving dependent is no longer disabled or dies, whichever occurs first.

4. *Payment Options for Member's Annuity Savings Account*

The surviving spouse or surviving dependent who is entitled to a survivor benefit may elect to receive:

(1) a lump sum payment of the total amount credited to the member's annuity savings account; or

(2) an amount equal to the member's federal income tax basis in the member's annuity savings account as of December 31, 1986.

A survivor who makes this election is not entitled to an annuity as part of the monthly retirement benefit to the extent of the payment.

Any additional annuity savings account contributions are not included in calculating survivor benefits, but are payable to:

(1) the member's surviving designated beneficiary; or

(2) the member's estate, if there is no beneficiary.

B. Other Designated Beneficiaries

If a member is survived by a designated beneficiary who is not a surviving spouse or dependent, the following provisions apply:

(1) If the member is survived by one designated beneficiary, the designated beneficiary is entitled to receive in a lump sum or over a period of up to five years, as elected by the beneficiary, the amount credited to the member's annuity savings account, less any disability benefits paid to the member.

(2) If the member is survived by two or more designated beneficiaries, the designated beneficiaries are entitled to receive in a lump sum or over a period of up to five years, as elected by the designated beneficiaries, equal shares of the amount credited to the member's annuity savings account, less any disability benefits paid to the member.

(3) If the member is also survived by a spouse or dependent who is entitled to a survivor benefit, the surviving spouse or dependent is not entitled to an annuity or a lump sum payment as part of the survivor benefit, unless the surviving spouse or dependent is also a designated beneficiary.

C. <u>Member's Estate</u>

If a member dies:

(1) without a surviving spouse or dependent who qualifies for survivor benefits; and

(2) without a surviving designated beneficiary entitled to receive the member's annuity savings account;

the amount in the member's annuity savings account, minus any disability benefits paid to the member, is paid to the member's estate.

D. <u>Member Not In Service at Death</u>

1. *Eligible for Retirement or Disability Benefit*

If a member dies:

(1) after March 31, 1990;

(2) while not in service in a covered position; and

(3) while eligible to receive retirement or disability benefits but before applying for them;

the member's surviving spouse or dependent is entitled to survivor benefits. Survivor benefits are reduced by any disability benefits paid to the member.

2. *Not Eligible for a Retirement or Disability Benefit*

If a member dies while not in service but before being eligible for a retirement or disability benefit, the named beneficiary (or the member's estate, if there is no named beneficiary) will receive the amount payable to the member upon suspension of Fund membership.

E. <u>Unclaimed Survivor Benefits and Member Accounts</u>

Unclaimed survivor's benefits and member accounts are forfeited and credited to the Fund three years after the member's death. However, the Board may honor a claim made more than three years after the member's death if the Board finds, in the Board's discretion, that:

(1) the member died after August 31, 1992; and

(2) either:

(A) the delay in making the claim was reasonable; or

(B) other extenuating circumstances justify the award of the benefit to the claimant.

F. Payment of a Minimum Amount

When a member dies:

(1) after July 1, 1991;

(2) while receiving or eligible to receive retirement benefits;

(3) without a survivor entitled to benefits; and

(4) without having received payments at least equal to the minimum amount;

the difference between the amount already paid to the member and the minimum amount is paid in a lump sum to the member's designated beneficiaries in equal shares or to the member's estate.

"Minimum amount" means the entire amount credited to the member's annuity savings account at the time of:

(1) retirement; or

(2) death while entitled to retirement benefits;

minus all benefits paid to the member and the member's survivors.

If a member dies with a survivor entitled to benefits, the calculation is made at the time of death of the last survivor. If the member and all survivors have not received payments at least equal to the minimum amount, the difference is paid in a lump sum to the survivor's estate.

Suspension of Fund Membership and Withdrawal of Contributions

A member who terminates employment and is not eligible for retirement or disability retirement may suspend membership in the Fund and is entitled to withdraw in a lump sum the member's contributions (or contributions "picked up" by the employer) plus the interest credited to the member.

After five continuous years in which the member performs no service in a covered position, the member's Fund membership is automatically suspended unless the member is vested in the Fund.

The Board may suspend a member's Fund membership if:

(1) the member has not performed any service in a covered position for two years;

(2) the member is not vested in the Fund; and

(3) the value of the member's annuity savings account is not more than $200.

If the Board suspends the member's Fund membership under this provision, the Board must pay the member's annuity savings account in a lump sum.

If a member does not claim the member's money within five years after suspension of membership, the money is credited to the Fund. The Fund retains the money until claimed by the member, with no further interest credits to the member.

However, if a member suspends membership in the fund because the member is no longer in a covered position but does not separate from employment with the member's employer, money is credited to the Fund only if the member does not claim the money within 45 years after suspension of membership.

Any reasonable costs of locating the member or the member's beneficiary may be charged against the member's or the beneficiary's money.

If a member resumes service in a covered position, the member may claim as creditable service the period of employment before the suspension of membership, but only to the extent that the same period of employment is not being used by another governmental plan for the member's benefit in that plan.

Participation in More Than One Public Pension Plan

For a public employee who retires with service in more than one retirement fund, the last retirement fund in which the employee rendered service pays the retirement benefits to the employee. The employee's pension is computed and vested status determined on the basis of the combined creditable service in all funds. The annuity, if any, is computed on the basis of amounts credited to the employee in the annuity savings accounts in all funds.

The funds in which the employee was a member must pay to the fund responsible for paying the employee's benefits:

(1) the amount credited to the employee in the employee's annuity savings account; and

(2) the proportionate actuarial cost of the employee's pension.

Post Retirement Increases

Benefit increases to TRF members, survivors, and beneficiaries are granted on an ad hoc basis by the General Assembly.

The following increases were granted from 1994 through 2004 to members(or survivors or beneficiaries of a member), did not apply to benefits payable as a lump sum, and were in addition to any other increases provided by law.

Year Effective	COLA	For Members Who Retired or Were Disabled:	One-Time 13th Check	For Members Who Retired or Were Disabled:
1994	1% 2% 3%	After 7/1/87; before 7/2/92* After 7/1/84; before 7/2/87* Before 7/2/84* *Payable after 6/30/94	$50 or an amount determined by the person's total number of years of creditable service in TRF and by the total number since the person retired (whichever is greater).	Before 7/2/93 and received monthly benefits on 10/1/94.
1995	3.1% 1.5%	Before 7/2/81* After 7/1/81; before 7/2/93* *Payable after 6/30/95	$50 or an amount determined by the person's total number of years of creditable service in TRF and by the total number since the person retired (whichever is greater).	Before 7/2/94 and received monthly benefits on 10/1/95.

Year Effective	COLA	For Members Who Retired or Were Disabled:	One-Time 13th Check	For Members Who Retired or Were Disabled:
1996	3.1% 1.5%	Before 7/2/81* After 7/1/81; before 7/2/93* *Payable after 6/30/96	$50 or an amount determined by the person's total number of years of creditable service in TRF and by the total number since the person retired (whichever is greater).	Before 7/2/95 and received monthly benefits on 10/1/96.
1997	4% 3% 2%	Before 7/2/75* After 7/1/75; before 7/2/83* After 7/1/83; before 7/2/96* *Payable after 6/30/97	$50 or an amount determined by the person's total number of years of creditable service in TRF and by the total number since the person retired (whichever is greater).	Before 7/2/96 and received monthly benefits on 10/1/97.

Year Effective	COLA	For Members Who Retired or Were Disabled:	One-Time 13th Check	For Members Who Retired or Were Disabled:
1998	4% 3% 2%	Before 7/2/75* After 7/1/75; before 7/2/83* After 7/1/83; before 7/2/95* *Payable afer 6/30/98	$50 or an amount determined by the person's total number of years of creditable service in TRF and by the total number since the person retired (whichever is greater).	Before 7/2/97 and received monthly benefits on 10/1/98.
1999	1.25% 2% 5% 7% 9%	After 7/1/90; before 7/2/95* After 7/1/80; before 7/2/90* After 7/1/70; before 7/2/80* After 7/1/60; before 7/2/70* Before 7/2/60* *Payable after 6/30/99	$50 or an amount determined by the person's total number of years of creditable service in TRF and by the total number since the person retired (whichever is greater).	Before 7/2/98 and received monthly benefits on 10/1/99.

Year Effective	COLA	For Members Who Retired or Were Disabled:	One-Time 13th Check	For Members Who Retired or Were Disabled:
1999 (cont.)	In addition to other COLAs, a COLA was provided to those members who retired or were disabled before 7/2/60, to the extent necessary to ensure that the purchasing power of the members' pension portion is at least equal to 50% of the purchasing power of those members' pension portion at the time of their retirements, as determined on 7/1/99 by the TRF Board based on changes in the consumer price index and postretirement increases to the pension portion.			
2000	1% 2% 5% 7% 9%	After 7/1/90; before 7/2/96* After 7/1/80; before 7/2/90* After 7/1/70; before 7/2/80* After 7/1/60; before 7/2/70* Before 7/2/60* *Payable after 6/30/2000	$50 or an amount determined by the person's total number of years of creditable service in TRF and by the total number since the person retired (whichever is greater).	Before 7/2/99 and received monthly benefits on 10/1/00.

Year Effective	COLA	For Members Who Retired or Were Disabled:	One-Time 13th Check	For Members Who Retired or Were Disabled:
2000 (cont.)	In addition to other COLAs, a COLA was provided to those members who retired or were disabled before 7/2/75, to the extent necessary to ensure that the purchasing power of the members' pensions is at least equal to 57.4% of the purchasing power of those members' pensions at the time of their retirements, as determined on 7/1/00 by the TRF Board based on changes in the consumer price index and postretirement increases to the pension portion.			
2001	1%	After 6/30/01; before 7/2/99* *Payable after 7/30/01	$50 or an amount determined by the person's total number of years of creditable service in TRF and by the total number since the person retired (whichever is greater).	Before 7/2/00 and received monthly benefits on 10/1/01.

Year Effective	COLA	For Members Who Retired or Were Disabled:	One-Time 13th Check	For Members Who Retired or Were Disabled:
2002	None		$50 or an amount determined by the person's total number of years of creditable service in TRF and by the total number since the person retired (whichever is greater).	Before 7/2/01 and received monthly benefits on 10/1/02.
2003	1% 2% 3%	After 7/1/95; before 7/2/00* After 7/1/77; before 7/2/95* Before 7/2/77* *Payable after 12/31/02	None	
2004	1% 2% 3%	After 7/1/96; before 7/2/01* After 7/1/78; before 7/2/96* Before 7/2/78* *Payable after 12/31/03	None	

Year Effective	COLA	For Members Who Retired or Were Disabled:	One-Time 13th Check	For Members Who Retired or Were Disabled:
2005	1% 2% 3%	After 7/1/96; before 7/2/02* After 7/1/78; before 7/2/96* Before 7/2/78* *Payable after 12/31/04	None	

Funding

The General Assembly is required to appropriate an amount sufficient to cover the state's actuarial liability for each member covered by the pre-1996 account and for each state employee covered by the 1996 account.

Currently the pre-1996 account of the TRF is funded on a pay-as-you-go basis, with the state appropriating only the amount necessary to fund the benefits due in a particular year. The 1996 account of the TRF is actuarially funded with local school corporations contributing a specified percentage of payroll to cover the costs of the Fund.

Pension Stabilization Fund

In 1995, the General Assembly established the Pension Stabilization Fund. The intent of the Pension Stabilization Fund is to stabilize the state's General Fund teacher pension expenditures as a percentage of the state's General Fund budget. The Pension Stabilization Fund is part of the pre-1996 account and is administered by the Board.

The fund consists of: (1) surplus lottery revenues allocated to the Pension Stabilization Fund under IC 4-30-16-3; (2) a portion of the employer reserve balance (as determined by the budget director so that the employer reserve is sufficient for cash flow needs); and (3) other amounts appropriated to the Pension Stabilization Fund by the General Assembly.

IC 4-30-16-3 requires that the Lottery Commission transfer to TRF from surplus lottery revenues the lesser of:

(1) $7.5 million quarterly ($30 million annually); or

(2) the additional quarterly contribution needed so that the ratio of the unfunded liability of the Fund compared to the total active teacher payroll is as close as possible to but not greater than the ratio that existed on the preceding July 1. The amounts transferred go into the Pension Stabilization Fund and are in addition to the appropriation needed to pay benefits for the state fiscal year.

For FY2004 and FY2005, the amount the Lottery Commission transfers to TRF only can be used to reduce the employer contribution rate for teachers covered by the 1996 account. In addition, the Board is required to pay the pre-1996 account pension liabilities for each fiscal year using an amount not to exceed $190 million each fiscal year from the Pension Stabilization Fund.

After FY2006, payments from the fund will equal:
(1) the pre-1996 account pension liabilities for the current fiscal year; minus
(2) the prior year's state General Fund payments for the pre-1996 account multiplied by the Pension Stabilization Fund percentage (currently set at 106%).

For FY2006, the prior year's state General Fund payments for the pre-1996 account will be treated as including the amount paid from the Pension Stabilization Fund in the prior state fiscal year to pay the pre-1996 account pension liabilities as described above.

The Budget Agency, after review by the State Budget Committee and with the approval of the governor, may change the Pension Stabilization Fund percentage so that the present value of future payments from the fund equals the fund's balance plus the present value of future receipts to the fund. The payments may not allow the fund balance to be negative.

The General Assembly appropriated $200 million to the Pension Stabilization Fund in 1996 and in 1997 appropriated $75 million per year for the 1997-1999 biennium.

The history of the Pension Stabilization Fund is shown in the following exhibit.

PENSION STABILIZATION FUND

Date	Transaction Description	Contributions	Interest Earned	Balance
1995				
July 1	Establishment of account			$439,700,499
1996				
June 30	Contributions from state	$25,000,000		$464,700,499
June 30	Contributions from lottery	$30,000,000		$494,700,499
June 30	Contributions from state	$92,852		$494,793,350
June 30	Interest credited		$39,573,045	$534,366,395
1997				
June 30	Contributions from state	$24,999,999		$559,366,394
June 30	Contributions from state	$200,000,000		$759,366,394
June 30	Contributions from state	$93,568		$759,459,962
June 30	Contributions from lottery	$30,000,000		$789,459,962
June 30	Interest credited		$45,421,144	$834,881,106
1998				
June 30	Contributions from state	$75,000,000		$909,881,106
June 30	Contributions from state	$78,286		$909,959,392
June 30	Contributions from lottery	$30,000,000		$939,959,392
June 30	Interest credited		$66,790,488	$1,006,749,880

Date	Transaction Description	Contributions	Interest Earned	Balance
1999				
June 30	Contributions from state	$75,000,000		$1,081,749,880
June 30	Contributions from state	$75,639		$1,081,825,520
June 30	Contributions from lottery	$30,000,000		$1,111,825,520
June 30	Interest credited		$80,539,990	$1,192,365,510
June 30	Distribution from undistributed investment income		$148,512,367	$1,340,877,877
2000				
June 30	Contributions from state	$125,000,000		$1,465,877,877
June 30	Contributions from lottery	$37,500,000		$1,503,377,877
June 30	Contributions from state	$38,810		$1,503,416,687
June 30	Funds from pension payouts	$15,506,790		$1,518,923,477
June 30	Interest/earnings credited		$117,863,099	$1,636,786,576
June 30	Distribution from undistributed investment income		$35,860,605	$1,672,647,180
2001				
June 30	Contributions from state	$125,000,000		$1,797,647,180
June 30	Contributions from lottery	$30,000,000		$1,827,647,180
June 30	Contributions from state	$45,736		$1,827,692,916
June 30	Funds from pension payouts	$19,650,613		$1,847,343,529
June 30	Interest/earnings credited		($14,302,551)	$1,833,040,979

Date	Transaction Description	Contributions	Interest Earned	Balance
2002				
June 30	Contributions from lottery	$30,000,000		$1,863,040,979
June 30	Contributions from state	$43,876		$1,863,084,855
June 30	Funds from pension payouts	$13,798,154		$1,876,883,009
June 30	Interest/earnings credited		($90,065,131)	$1,786,817,879
2003				
June 30	Contributions from lottery	$30,000,000		$1,816,817,879
June 30	Contributions from state	$34,360		$1,816,852,238
June 30	Funds from pension payouts	$19,287,540		$1,836,139,778
June 30	Interest/earnings credited		$23,654,726	$1,859,794,504
2004				
June 30	Contributions from state	$16,802		$1,859,811,306
June 30	Funds from pension payouts	($182,218,797)		$1,677,592,509
June 30	Interest/earnings credited		$275,473,174	$1,953,065,682
				$1,953,065,682

Undistributed Income Reserve

The Board is required to determine the Fund's undistributed income reserve each year as of June 30 and under the Fund's actuarial valuation as of June 30. After crediting interest to the members' annuity savings accounts in the guaranteed fund, actual earnings to the alternative investment programs, and distributing an amount up to the interest credit rate (but not to exceed any remaining earnings) to the reserve accounts, any remaining undistributed income reserve must be distributed on a pro rata basis (based on the fiscal year beginning balances) to all reserve accounts in the pre-1996 account, including the Pension Stabilization Fund, and in the 1996 account.

Amounts in the undistributed income reserve may not be distributed to the following:
(1) Members' annuity savings accounts in the guaranteed fund or the alternative investment programs.
(2) The annuity reserve for benefits-in-force.

Source of Revenue:

State General Fund appropriations.

1995-1999 TRF FUND INFORMATION

	1995	1996	1997	1998	1999
Nonretired Members-Active*	66,542	78,866	84,206	84,664	77,745
Retired Members*	29,364	30,121	30,658	31,325	32,048
Total	95,906	108,987	114,864	115,989	109,793
Normal Cost*	212,574,374	224,127,609	212,348,180	230,396,533	245,301,138
Nonretired Accrued Liability	6,958,262,106	7,362,092,556	7,810,823,780	8,298,776,245	9,007,902,786
Nonretired Assets	1,929,533,657	2,090,062,751	2,259,303,727	2,507,283,628	2,735,740,428
Nonretired Unfunded	5,028,728,449	5,272,029,805	5,551,320,033	5,791,492,517	6,272,162,358
Retiree Accrued Liability	2,716,274,500	2,968,695,760	3,234,036,396	3,481,397,850	3,663,021,657
Retiree Assets	1,054,045,397	1,172,556,628	1,490,834,712	1,759,028,435	2,234,979,906
Retired Unfunded	1,662,229,103	1,796,139,132	1,743,201,684	1,722,369,415	1,428,041,751
Total Unfunded Accrued Liability*	6,690,957,552	7,068,168,937	7,294,521,717	7,513,862,032	7,700,204,109
Payout*	290,200,500	315,557,124	340,602,588	366,448,704	388,802,436
Average Annual Benefit	9,883	10,476	11,110	11,698	12,132

2000-2004 TRF FUND INFORMATION

	2000	2001	2002	2003	***2004
Nonretired Members-Active*	77,870	75,648	75,383	73,641	73,500
Retired Members*	32,878	33,783	34,754	36,235	37,100
Total	110,748	109,431	110,137	109,876	110,600
Normal Cost*	237,321,830	243,997,995	268,146,186	217,136,995	231,000,000
Nonretired Accrued Liability	9,215,490,768	9,390,385,950	10,235,594,724	9,806,834,007	9,995,000,000
Nonretired Assets	3,058,896,861	3,103,137,156	3,357,121,434	3,472,339,839	**3,800,000,000
Nonretired Unfunded Accrued Liability	6,156,593,907	6,287,248,794	6,878,473,308	6,109,509,241	6,195,000,000
Retiree Accrued Liability	3,899,574,675	4,133,440,023	4,429,066,492	4,940,505,049	5,265,000,000
Retiree Assets	2,519,149,924	2,707,622,408	2,819,453,095	2,683,187,169	**3,005,000,000
Retired Unfunded Accrued Liability*	1,380,424,751	1,425,817,615	1,609,613,397	2,083,464,888	2,260,000,000
Total Unfunded	7,537,018,658	7,713,066,409	8,488,086,705	8,192,974,129	8,455,000,000
Payout*	424,957,344	454,492,404	482,352,284	527,064,384	561,400,000
Average Annual Benefit	12,925	13,453	13,879	14,546	15,132

*Includes the pre-1996 Fund and the 1996 Fund. Does not include 25,000 to 30,000 members who were not vested in an employer-provided benefit, but who left their employee contributions in the Fund. Both asset and liability amounts include those accumulated contributions.
**Includes funding value adjustment
***The funding numbers for 2004 have been estimated since the 2004 valuation was not completed at the time of publication. Estimates are based on new assumptions adopted by the Retirement Board.

1977 JUDGES' RETIREMENT SYSTEM
1985 JUDGES' RETIREMENT SYSTEM

IC 33-38
TRUST ACCT. NO. 6550-107500

The Judges' Retirement System consists of two plans (the 1977 System and the 1985 System) that provide retirement, disability, and survivor benefits to state and county judges.

The 1977 System includes all individuals who began service as a judge before September 1, 1985, unless the individual, within ten days after becoming a judge, filed an irrevocable election not to participate in the 1977 System.

The 1985 System covers all individuals who: (1) began service as a judge after August 31, 1985; and (2) are not participants in the 1977 System. The 1985 System is mandatory for all new judges.

The PERF Board administers the judges' retirement systems.

Confidentiality of System Records

System records of individual participants and participants' information are confidential, except for the name and years of service of the participant.

Retirement Benefits

A participant is entitled to a retirement benefit under the applicable 1977 System or the 1985 System if the participant meets one of the age and service minimums:

(1) the participant is at least age 62 and has at least eight years of service credit; or

(2) the participant is at least age 55 and the participant's age and years of service equal at least 85.

In addition, the participant must not be receiving any salary from the state for services currently performed, except for services rendered as a judge pro tempore or senior judge.

To receive an unreduced retirement benefit, a participant must be:

(1) at least 65; or

(2) at least 55, if the participant's age in years plus the participant's years of service total 85 or more.

The annual unreduced retirement benefit equals the product of:

(1) the annual salary:

(A) currently paid for the office which the participant held at the time of the participant's separation of service (1977 System); or

(B) paid to the participant at the time of the participant's separation from service (1985 System); multiplied by

(2) the percentage prescribed in the following table:

Participant's Years of Service	**Percentage of Salary**
8	24%
9	27%
10	30%
11	33%
12	50%
13	51%
14	52%
15	53%
16	54%
17	55%
18	56%
19	57%
20	58%
21	59%
22 or more	60%

For a participant with a partial year of service (in addition to at least eight full years of service), the participant's annual retirement benefit includes an additional amount calculated by prorating between the applicable percentages, based on the number of months in the partial year of service.

If the annual retirement benefit of a participant who began service as a judge before July 1, 1977, computed by this formula is less than the benefit the participant would have received under the retirement system in effect on June 30, 1977, the participant is entitled to receive the greater amount.

Retirement Age

Normal retirement age is 65 with at least eight years service.

Early Retirement

A participant may retire at age 62 with the requisite years of service. However, the participant's pension is reduced by 0.1% for each month the member's age on the date the participant begins receiving a retirement benefit precedes the participant's 65th birthday. This reduction in benefit amount does not apply to:

(1) participants who are separated from service because of permanent disability;

(2) survivors of participants who die in service after August 1, 1992;

(3) survivors of participants who die while not in service but while entitled to a future benefit; or

(4) participants who are entitled to retire with an unreduced benefit based on age plus years of service.

Vesting

Vesting occurs after eight years of service.

Contributions

Participants are required to contribute 6% of their annual salary received for services as a judge for a maximum of 22 years.

The state may elect to pay the contribution for participants in the 1985 System.

Return of Contributions

1977 System

A participant whose employment as a judge is terminated, regardless of cause, may withdraw from the 1977 System, if the participant has less than 12 years of service.

1985 System

A participant is entitled to withdraw from the 1985 System, if the participant:

(1) ceases service as a judge, other than by death or disability; and

(2) is not eligible for a retirement benefit.

A participant who withdraws from either system is entitled to a refund of the participant's contributions, payable in full within 60 days after the date of the withdrawal application or in installments as the participant elects.

Disability Benefit

For both the 1977 System and the 1985 System, a participant is considered permanently disabled if the PERF Board receives a written certification by at least two licensed and practicing physicians appointed by the PERF Board, that:

(1) the participant is totally incapacitated, by reason of physical or mental infirmities, from earning a livelihood; and

(2) the condition is likely to be permanent.

The annual benefit for a participant who is totally disabled equals the product of:

(1) the annual salary:

(A) currently paid for the office which the participant held at the time of the participant's separation from service (1977 System); or

(B) paid to the participant at the time of the participant's separation from service (1985 System); multiplied by

(2) the percentage prescribed in the following table:

Participant's Years of Service	Percentage of Salary
0-12	50%
13	51%
14	52%
15	53%
16	54%
17	55%
18	56%
19	57%
20	58%
21	59%
22 or more	60%

For a participant with a partial year of service (in addition to at least eight full years of service), the participant's annual disability benefit includes an additional amount calculated by prorating between the applicable percentages, based on the number of months in the partial year of service.

A participant receiving disability benefits must be reexamined at least once a year by at least two physicians appointed by the PERF Board. If a participant is no longer disabled, benefits stop as of the date of the physician examination, unless the participant meets the requirements for a retirement benefit.

Survivor Benefits

1977 System

A surviving spouse or children (as designated by the participant) of a participant who qualified for benefits before July 1, 1977, are entitled to a survivor benefit equal to the greater of:

(1) the sum of $2,000, plus 50% of the amount of the retirement benefit:

(A) the participant was receiving at the time of death; or

(B) the participant was entitled to receive if the participant had retired; or

(2) $12,000.

A surviving spouse or children (as designated by the participant) of a participant who qualified for benefits after June 30, 1977, and before July 1, 1983, either by length of service or by permanent disability, are entitled to a survivor benefit equal to the greater of:

(1) 50% of the amount of the retirement benefit:

(A) the participant was receiving at the time of death; or

(B) the participant was entitled to receive if the participant had retired; or

(2) $12,000.

The surviving spouse of a participant who:

(1) died after June 30, 1983, and before July 1, 1985; and

(2) was serving as a judge at the time of death;

is entitled to the same benefit (outlined in the preceding paragraph) as the surviving spouse of a permanently disabled participant who qualified for benefits after June 30, 1977, and before July 1, 1983.

The surviving spouse or children (as designated by the participant) of a participant who:

(1) dies after June 30, 1983; and

(2) on the date of the participant's death:

(A) was receiving benefits;

(B) had completed at least eight years of service as a judge and was in service as a judge;

(C) was permanently disabled; or

(D) had completed at least eight years of service, was not still in service as a judge, and was entitled to a future benefit;

is entitled, regardless of the participant's age, to a survivor's benefit equal to the greater of:

(1) 50% of the amount of the retirement benefit:

(A) the participant was receiving at the time of death; or

(B) the participant was entitled to receive if the participant had retired on the participant's date of death;

minus any reductions required for a participant younger than 65 years of age; or

(2) $12,000.

A benefit payable to a surviving child is subject to the following provisions:

(1) The total monthly benefit payable to a surviving child or children is equal to the monthly benefit that would be payable to a surviving spouse.

(2) If the participant designates more than one child to receive a benefit, then the children share the monthly benefit equally.

(3) Each child entitled to a benefit receives that child's share of the monthly benefit:

(A) until the child becomes 18 years of age; or

(B) during the entire period of the child's physical or mental disability;

whichever is longer.

(4) If a designated child is no longer eligible to receive a benefit, the remaining child or children share the benefit payment equally.

(5) When all children designated by a participant are no longer eligible to receive a benefit, or no designation is made, the surviving spouse receives the benefit for the remainder of the spouse's life.

(6) A benefit for a surviving child may be paid to:

(A) a trust; or

(B) a custodian account established under IC 30-2-8.5 for the child.

(7) If a participant's spouse does not survive the participant (or dies after receiving a benefit) and there are no surviving children designated by the participant, the surviving dependent children of the participant are entitled to share equally a survivor's benefit in the amount that the participant's spouse received until each child is:

(1) 18 years of age; or

(2) no longer under a physical or mental disability; whichever period is longer.

If no benefit is payable to the survivors of a participant who dies after July 1, 1983, then the PERF Board must refund to:

(1) the survivors designated by the participant;

(2) any dependent survivors, if there are no designated survivors; or

(3) the participant's estate, if there are no dependent survivors; the participant's contributions, plus interest as determined by the PERF Board, minus any payments made to the participant.

1985 System

A surviving spouse or a designated child of the participant is entitled to a survivor benefit, regardless of the participant's age, if, at the time of the participant's death, the participant:

(1) was receiving retirement benefits under the system:

(2) had completed at least eight years of service as a judge and was in service as a judge;

(3) was permanently disabled; or

(4) had completed at least eight years of service as a judge and was not still in service as a judge, but was entitled to a future benefit.

The survivor benefit is equal to the greater of:

(1) 50% of the retirement benefit the participant was receiving, or the benefit which the participant would have been entitled to receive, if the participant had retired, with reductions required for a participant younger than 65 years of age; or

(2) $12,000.

A surviving spouse is entitled to receive the survivor benefit for life.

A designated child entitled to the survivor benefit receives the benefit until the child:

(1) reaches age 18; or

(2) is no longer physically or mentally disabled;

whichever is later.

If more than one child is designated by the participant, the children share the monthly benefit equally. If one child is no longer eligible to receive a benefit, then the remaining eligible children equally share the monthly benefit.

When no designated child remains eligible for the benefit or the participant does not make a designation, the surviving spouse receives the benefit for life.

If a participant's spouse does not survive the participant, and there is no child designated to receive the survivor benefit, a dependent child of the participant is entitled to receive the survivor benefit. A dependent child entitled to the survivor benefit receives the benefit until the child:

(1) reaches age 18; or

(2) is no longer physically or mentally disabled;

whichever is later.

If no benefits are payable to survivors, and a withdrawal application is filed with the PERF Board, the participant's contributions, plus interest as determined by the PERF Board, minus any payments made to the participant, are paid as follows:

(1) To the surviving spouse or children of the participant, as designated by the participant.

(2) To any other dependent of the participant, if the spouse and designated children do not survive.

(3) To the participant's estate, if no other dependent survives.

The payment must be made within 60 days after the date of receipt of the withdrawal application or in monthly installments as the recipient elects.

Postretirement Increases

Judges who are participants in the 1977 System receive benefit increases whenever the salary of the position the retiree held at separation from service increases.

Benefits of judges who are participants in the 1985 System are tied to the salary of the position at the time the participant separates from service and do not increase if the salary of the position increases after the participant separates from service.

Ad hoc cost-of-living increases may be provided by the General Assembly.

Credit for Prior Service

<u>Prior Service as a Full-Time Judge Pro Tempore</u>

A participant in either the 1977 System or the 1985 System who:

(1) was appointed under Trial Rule 63(B) to serve as a full-time judge pro tempore;

(2) did not receive credit from either the 1977 System or the 1985 System for the full-time judge pro tempore service; and

(3) has at least one year of service in the Judges' Retirement System;

may purchase credit in the Judges' Retirement System for the judge pro tempore service if, before the participant retires, the participant makes contributions to the Judges' Retirement System:

(1) that are equal to the product of the following:

(A) the participant's salary at the time the participant actually makes a contribution for the service credit;

(B) a percentage rate, as determined by the actuary for the Judges' Retirement System, that is based on the age of the participant at the time the participant makes a contribution for service credit and computed to result in a contribution amount that approximates the actuarial present value of the benefit attributable to the service credit purchased; and

(C) the number of years of judge pro tempore service the participant intends to purchase; and

(2) for any accrued interest, at a rate determined by the actuary of the Judges' Retirement System, for the period from the participant's initial membership in the Judges' Retirement System to the date payment is made by the participant.

The Judges' Retirement System also must receive verification from the applicable court that the judge pro tempore service occurred.

A participant may not receive service credit in the Judges' Retirement System if the judge pro tempore service for which the participant requests credit also qualifies the participant for a benefit in another retirement system.

A participant who:

(1) terminates service before satisfying the requirements for eligibility to receive a retirement benefit from the Judges' Retirement System; or

(2) receives a retirement benefit for the same service from another retirement system, other than under the federal Social Security Act;

may withdraw the participant's contributions made to purchase the service credit plus accumulated interest after submitting to the Judges' Retirement System a properly completed application for a refund.

The PERF Board may allow a participant to make periodic payments of the contributions required for the purchase of the service credit. The PERF Board determines the length of the period during which the payments are to be made.

The PERF Board may deny an application for the purchase of the service credit if the purchase would exceed the limitations set forth in Section 415 of the Internal Revenue Code.

A participant may not claim the service credit for purposes of determining eligibility or computing benefits unless the participant has made all payments required for the purchase of the service credit.

<u>Prior Service as a Full-Time Referee, Commissioner, or Magistrate</u>

A participant in either the 1977 System or the 1985 System who:

(1) before becoming a judge, was appointed by a court to serve as a full-time referee, commissioner, or magistrate;

(2) was a member of PERF during that employment; and

(3) received credited service under PERF for that employment;

must be granted credit in the Judges' Retirement System for the prior service as a full-time referee, commissioner, or magistrate, if:

(1) the state contributes to the Judges' Retirement System the amount the PERF Board determines is necessary to amortize the prior service liability over a period determined by the PERF Board (not to exceed ten years) ; and

(2) the participant pays, in a lump sum or in a series of payments determined by the PERF Board (not exceeding five annual payments), the amount the participant would have contributed if the participant had been a member of the Judges' Retirement System during the prior service.

The contributions must include interest at a rate determined by the PERF Board.

The following provisions apply to a participant who has prior service credit as a full-time referee, commissioner, or magistrate transferred from PERF to the Judges' Retirement System:

(1) The prior service credit transferred from PERF applies toward the calculation of a minimum benefit in the Judges' Retirement System.

The benefit is payable when the participant is:

(A) 65 years of age (1977 System and 1985 System); or

(B) at least 55 years of age and meets the age plus years of service requirement to retire with an unreduced benefit (1985 System).

The minimum benefit equals the actuarial equivalent of the vested retirement benefit that is:

(A) payable to the participant as a PERF member at normal retirement as of the day before the transfer; and

(B) based solely on:

(i) creditable service;

(ii) the average of the annual compensation; and

(iii) the amount credited to the participant's annuity savings account as of the date before the transfer.

(2) If the state and the participant make the required contributions to the Judges' Retirement System:

(A) the PERF Board must transfer from PERF to the Judges' Retirement System:

(i)the amount credited to the participant's annuity savings account; and

(ii) the present value of the retirement benefit payable to the participant at 65 years of age; and the state and the participant's contributions are reduced by these amounts; and

(B) credit for prior service as a full-time referee, commissioner, or magistrate is waived.

<u>Prior Service in Other Indiana Public Employee Retirement Fund Positions</u>

A participant in either the 1977 System or the 1985 System who has:

(1) prior service in another Indiana public employee retirement fund (excluding prior service as a full-time referee, commissioner, or magistrate);

(2) not attained vested status under that fund; and

(3) at least eight years of service credit in the Judges' Retirement System;

is entitled to service credit for service in those positions if the participant pays, in a lump sum or in a series of payments determined by the PERF Board (not exceeding five annual payments), an amount determined by the actuary for the appropriate Judges' Retirement System as the total accrued cost of the service, plus interest at a rate determined by the PERF Board.

If the participant makes the required payment to the Judges' Retirement System, the appropriate board must transfer to the Judges' Retirement System:

(1) the amount credited to the annuity savings account; plus

(2) the present value of the retirement benefit that would be payable at 65 years of age to the participant; and

the participant's credit in that retirement fund is waived. The participant's contribution is reduced by the amount transferred.

Rollovers and Transfers

The Judges' Retirement System may accept, on behalf of a participant who is purchasing permissive service credit, a rollover of a distribution from any of the following:

(1) A qualified plan described in Section 401(a) or Section 403(b) of the Internal Revenue Code.

(2) An annuity contract or account described in Section 403(b) of the Internal Revenue Code.

(3) An eligible plan that is maintained by a state, political subdivision of a state, or an agency or instrumentality of a state or political subdivision of a state under Section 457(b) of the Internal Revenue Code.

(4) An individual retirement account or annuity described in Section 408(a) or Section 408(b) of the Internal Revenue Code.

The Judges' Retirement System may accept, on behalf of a participant who is purchasing permissive service credit, a trustee- to-trustee transfer of any of the following:

(1) An annuity contract or account described in Section 403(b) of the Internal Revenue Code.

(2) An eligible deferred compensation plan under Section 457(b) of the Internal Revenue Code.

Funding

The Judges' Retirement System is funded on a pay-as-you-go basis, with the state appropriating only the amount necessary to fund the benefits due in a particular year.

Sources of Revenue

Employer contributions are from the state General Fund appropriations and from certain docket fees and court fees.

1995-1999 INFORMATION FOR
JUDGES' RETIREMENT FUND INFORMATION

	1995	1996	1997	1998	1999
Active Members	299	328	321	339	341
Benefit Recipients	191	192	210	215	221
	24	20	19	17	18
	514	540	550	571	580
Normal Cost	6,302,496	6,942,598	6,181,857	6,459,838	6,752,082
Total Accrued Liability	136,984,849	147,488,449	150,005,291	160,844,542	176,301,145
Assets	48,883,891	56,758,828	69,357,096	79,594,190	91,072,574
Total Unfunded Accrued Liability	88,100,958	90,729,621	80,648,195	81,250,352	85,228,571
Payout	5,410,734	5,519,204	6,335,408	6,994,119	7,393,244
Average Annual Benefit	28,328	28,746	30,169	32,531	33,454

2000-2004 INFORMATION FOR
JUDGES' RETIREMENT FUND INFORMATION

	2000	2001	2002	2003	*2004
Active Members	336	328	282	278	277
Benefit Recipients	228	242	235	258	266
Term. Vested Members	17	14	73	67	72
Total	581	584	590	603	615
Normal Cost	6,453,425	6,335,577	5,797,367	5,372,274	5,300,000
Total Accrued Liability	182,447,802	188,610,419	188,433,985	206,846,323	217,000,000
Assets	103,732,605	115,040,066	121,155,082	126,151,673	137,000,000
Total Unfunded Accrued Liability	78,715,197	73,570,353	67,278,903	80,694,650	80,000,000
Payout	7,822,102	8,484,812	8,030,979	9,914,956	10,800,000
Average Annual Benefit	34,307	35,061	34,174	38,430	40,602

*The funding figures for 2004 have been estimated since the 2004 valuation was not competed at the time of publication.

STATE EXCISE POLICE AND CONSERVATION ENFORCEMENT OFFICERS' RETIREMENT FUND

IC 5-10-5.5
TRUST ACCT. NO. 6560-107700

The State Excise Police and Conservation Enforcement Officers' Retirement Fund (Fund) provides retirement, disability, and survivor benefits to those employees of the Indiana Department of Natural Resources and the Indiana Alcoholic Beverage Commission who are engaged exclusively in the performance of law enforcement duties. The Fund is a defined benefit plan. The PERF Board administers the Fund in accordance with IC 5-10-5.5 and IC 5-10.3 (PERF).

Confidentiality of Fund Records

Records of individual participants and participants' information are confidential, except for the name and years of service of a participant.

Retirement Benefits

A participant who completes ten years of creditable service is entitled to an annual pension benefit, paid in equal monthly installments beginning on the participant's normal retirement date, equal to 25% of the participant's average annual salary.

A participant's average annual salary is the average of the participant's five highest annual salaries in the 10 years preceding the participant's retirement date, determined without regard to any salary reduction agreement under Section 125 of the Internal Revenue Code.

A participant who completes more than 10 years of creditable service is entitled to receive an additional amount equal to:

(1) one and two-thirds percent of the participant's average annual salary for each completed year of creditable service over 10 years and less than 25 years; plus

(2) one percent of the participant's average annual salary for each completed year of creditable service over 25 years.

Vesting

A participant in the Fund vests after ten years of creditable service.

Creditable service accrues, and is computed and credited to participants in the same manner and in the same amount as creditable service accrues, and is computed and credited to participants in PERF.

Retirement Age

A participant who is hired before age 50 must retire at age 60 and is entitled to receive an unreduced benefit.

A participant who is hired after age 50 must retire upon the earlier of:
(1) the first day of the month following the date the participant completes ten years of creditable service; or
(2) the first day of the month following the participant's 65th birthday.

Early Retirement

A participant who completes at least 15 years of creditable service may retire upon reaching 45 years of age with a reduced retirement benefit. The monthly benefit is reduced by one-quarter percent for each full month by which the participant's early retirement date precedes the participant's sixtieth birthday.

The benefit of a participant who is at least 55 years of age and whose age plus years of creditable service equals at least 85 on the participant's retirement date is not reduced; the participant may retire with full benefits.

Contributions

Each participant must contribute 3% of the first $8,500 of the participant's annual salary to the participant's savings fund.

Return of Contributions

A participant who terminates employment with less than 15 years of creditable service and before attaining 45 years of age is entitled to a lump sum refund of all of the participant's contributions to the participant's savings fund plus any accumulated interest.

If a participant dies with less than 15 years of creditable service, a refund of all of the participant's contributions to the participant's savings fund, plus the accumulated interest, is paid by the PERF Board to:

(1) the beneficiary designated by the participant; or

(2) the estate of the participant, if no beneficiary is designated.

The PERF Board has the discretion to pay a refund in a lump sum or in a series of payments.

If a participant terminates employment after completing at least 15 years of creditable service, but before becoming eligible for a benefit, the participant's contributions are retained until the participant becomes eligible for the benefits.

Reenrollment in PERF

A participant who terminates employment with less than 15 years of creditable service may transfer the creditable service to PERF:

(1) in the manner and under the conditions provided in the public employees' retirement law; and

(2) by paying the contributions and interest required by the PERF Board.

Disability Benefits

A participant who becomes permanently or temporarily disabled from performing all suitable and available work "on the force" for which the participant is or may be capable of becoming qualified, considering reasonable accommodation to the extent required by the Americans with Disabilities Act, is entitled to receive a disability benefit.

A participant may not receive a benefit for any disability:

(1) resulting from an intentionally self-inflicted injury or attempted suicide while the participant is sane or insane;

(2) resulting from the participant's commission or attempted commission of a felony; or

(3) that:

(A) begins within two years after a participant's entry or reentry into active service "on the force"; and

(B) was caused or contributed to by a mental or physical condition that manifested itself before the participant entered or reentered active service.

Before July 1, 1987

A participant who was determined to be disabled before July 1, 1987, is entitled to receive a benefit equal to the benefit the participant would have received if the participant had retired.

After June 30, 1987

The amount of a disability benefit paid to a participant depends upon whether the disability arose in the line of duty. A disability arises in the line of duty if the disability is the direct result of a personal injury that occurs while the participant is:

(1) on duty; or

(2) off duty and responding to an offense or an emergency, or a reported offense or emergency.

A participant who is determined to be disabled after June 30, 1987, is eligible for the following benefits:

(1) Disability Incurred in the Line of Duty

If the participant was disabled in the line of duty, the participant is entitled to a monthly benefit equal to:

(a) the participant's monthly salary on the date of disability; multiplied by

(b) the degree of impairment (expressed as a percentage impairment of the person as a whole).

The amount of the monthly benefit must be at least the following:

(1) 20% of the participant's monthly salary, if the participant has completed more than five years of creditable service.

(2) 10% of the participant's monthly salary, if the participant has completed five or fewer years of service.

(2) Disability Incurred Not in the Line of Duty

If the participant's disability did not arise in the line of duty, the participant is entitled to a monthly benefit equal to:

(a) 50% of the participant's monthly salary on the date of the disability; multiplied by

(b) the degree of impairment (expressed as a percentage impairment of the person as a whole).

The amount of the monthly benefit must be at least the following:

(1) 10% of the participant's monthly salary if the participant has completed more than five years of creditable service.

(2) 5% of the participant's monthly salary if the participant has completed five or fewer years of creditable service.

The PERF Board or its designee shall determine:

(1) whether a participant is disabled;

(2) the degree of impairment; and

(3) whether the disability arose in the line of duty.

To determine the degree of impairment, the PERF Board shall use the impairment standards contained in the United States Department of Veterans Affairs Schedule for Rating Disabilities in effect at the time the application for disability benefits was filed with the PERF Board.

A participant who meets the conditions listed in IC 5-10-13 has a presumption that a total or partial disability or death resulting from a health condition caused by AIDS, anthrax, hepatitis, HIV, meningococcal meningitis, smallpox, or tuberculosis is a disability or death incurred in the line of duty. The presumption may be rebutted by competent evidence. A meeting or hearing held to rebut the presumption may be held as an executive session under IC 5-14-1.5-6.1(b)(1). The presumption affects only the determination as to whether a disability or death was incurred in the line of duty and does not change the requirements for determining eligibility for disability benefits.

After becoming age 45, a participant receiving disability benefits may request that:

(1) the disability benefits cease; and

(2) any retirement benefits for which the participant is eligible begin.

Disability benefits are not payable to a participant if the participant receives retirement or disability payments under another state-funded pension fund.

Survivor Benefits

If a participant has more then 15 years of service at the time of death, survivor benefits are payable to the surviving spouse, parents, or dependent children, as nominated by the participant's written direction, acknowledged and filed with the PERF Board.

The survivor benefit is equal to 50% of the amount that would have been payable to the participant if the participant had retired on the date of death.

If the surviving spouse is more than five years younger than the participant, the survivor benefit paid to the spouse is actuarially reduced.

Survivor benefits are paid to a surviving spouse or surviving parents for life.

Survivor benefits are paid to a surviving child until the child reaches age 18 or marries, whichever occurs first. If there is more than one surviving child, the survivor benefits are divided equally among all eligible surviving children. If payment ceases to one child, the survivor benefit is equally divided among the remaining children who are eligible to receive the benefit.

If there are no survivors or the participant does not make a nomination, the PERF Board pays the participant's estate a lump sum payment equal to the amount in the participant's savings fund plus accumulated interest.

SPECIAL DEATH BENEFIT

IC 5-10-10 provides a $ 150,000 lump sum special death benefit if the participant's death occurs in the line of duty.

Postretirement Increases

Benefits payable to participants, survivors, and beneficiaries of the Fund are increased by the same percentage and under the same conditions as benefits are increased for participants, survivors, and beneficiaries of PERF.

Funding

The state contributes the amount required to actuarially fund the pension benefits. The unfunded accrued liabilities are amortized over 40 years. Appropriations are made from the state General Fund and the state Fish and Wildlife Fund.

1995-1999 INFORMATION FOR
STATE EXCISE POLICE AND CONSERVATION ENFORCEMENT OFFICERS RETIREMENT FUND

	1995	1996	1997	1998	1999
Active Members	227	256	246	247	269
Benefit Recipients	115	110	111	114	112
Term. Vested Members	0	0	0	0	0
Total	342	366	357	361	381
Normal Cost	639,495	797,872	797,939	830,451	831,187
Accrued Liability	27,208,987	32,087,316	38,459,888	41,678,634	43,367,748
Assets	21,698,769	24,079,288	26,323,882	28,662,989	31,510,139
Unfunded Accrued Liability	5,510,218	8,008,028	12,136,006	13,015,645	11,857,609
Payout	971,914	954,234	1,008,924	1,152,147	1,185,978
Average Annual Benefit	8,451	8,675	9,089	10,107	10,589

2000-2004 INFORMATION FOR
STATE EXCISE POLICE AND CONSERVATION ENFORCEMENT OFFICER RETIREMENT FUND

	2000	2001	2002	2003	*2004
Active Members	261	255	254	254	255
Benefit Recipients	119	122	128	128	130
Term. Vested Members	0	0	1	4	4
Total	380	377	383	386	389
Normal Cost	830,382	911,824	920,433	1,042,271	1,070,000
Accrued Liability	46,271,711	52,024,033	55,884,194	52,006,444	56,000,000
Assets	34,367,814	36,921,405	37,359,789	37,286,105	41,400,000
Unfunded Accrued Liability	11,903,897	15,102,628	18,524,405	14,720,339	14,600,000
Payout	1,294,603	1,470,118	1,619,269	1,672,612	1,800,000
Average Annual Benefit	10,879	12,050	12,651	13,067	13,846

*The funding figures for 2004 have been estimated since the 2004 valuation was not completed at the time of publication.

STATE POLICE BENEFIT SYSTEM

IC 10-12
ACCT. NO. 6600-104800
(Covers Both Plans)

The State Police have two pension plans: the Pre-1987 Plan and the 1987 Plan. The 1987 Plan applies to: (1) all State Police officers hired after June 30, 1987; and (2) those officers hired before July 1, 1987, who elected coverage under the 1987 Plan.

The operation of the State Police retirement plans is governed by the pension fund trust agreement between the State Police Department and the State Treasurer.

Retirement Benefits

Pre-1987 Plan

The pre-1987 Plan provides that the basic monthly pension amount may not exceed by more than $20 an amount equal to one-half of the member's average monthly wages (not including overtime) received during the highest paid consecutive 12 months prior to retirement. However, this amount may not exceed the monthly salary of a third year trooper.

In addition to the basic retirement benefit described above, a Plan member with over 20 years of service will receive the following incremental increases:

2% of the basic amount for each of the next 2 years over 20 years;
3% of the basic amount for each of the next 2 years over 22 years;
4% of the basic amount for each of the next 2 years over 24 years;
5% of the basic amount for each of the next 2 years over 26 years;
6% of the basic amount for each of the next 2 years over 28 years;
7% of the basic amount for each of the next 2 years over 30 years;
8% of the basic amount for each of the next 2 years over 32 years.

However, the total of these additional amounts may not exceed 70% of the basic pension amount.

1987 Plan

The 1987 Plan provides that the basic monthly pension amount may not exceed one-half of the member's average monthly salary received during the member's highest-paid three years before retirement. Members retiring from July 1, 1987, through June 30, 1988, may not receive a basic monthly benefit greater than 50% of the maximum salary of a first sergeant. Members retiring from July 1, 1988, through June 30, 1989, may not receive a basic monthly benefit greater than 50% of the maximum salary of a captain.

In addition to the basic retirement benefit described above, a Plan member with over 25 years of service will receive the following incremental increases:

5% of basic amount for each of the next 3 years over 25 years;
6% of basic amount for each of the next 2 years over 28 years;
7% of basic amount for each of the next 2 years over 30 years;
8% of basic amount for each of the next 2 years over 32 years.

However, the total of these additional amounts may not exceed 70% of the basic pension amount.

Vesting

Members of the Pre-1987 Plan vest after ten years of service. Members of the 1987 Plan vest after five years of service.

Retirement Age

Normal retirement may be sooner but not later than age 55. To receive full retirement benefits under the Pre-1987 Plan, a member must have at least 20 years of service and must be at least age 45. To receive full benefits under the 1987 Plan, a member must have at least 25 years of service.

Members who retire before reaching the age required for full benefits are entitled to a proportionate amount of the basic monthly pension amount.

Contributions

Members of the Pre-1987 Plan contribute 6% of the member's average monthly wages (not including overtime). Members of the 1987 Plan contribute 6% of the member's monthly wages (not including overtime).

A member who receives a disability pension does not make contributions to the member's fund.

Return of Contributions

A member who terminates employment before retirement is entitled to receive the amount contributed to the fund by the member, plus any credited interest.

Survivor Benefits

A member's survivor is entitled to a lump sum payment of not more than $14,500.

The maximum monthly pension payable to surviving spouses or a dependent mother and father may not exceed the current basic monthly pension amount paid to retirees or one-half of the deceased officer's monthly salary.

A dependent child entitled to survivor benefits may receive a maximum of 30% of the basic monthly pension currently being paid to retirees. Total benefits paid to all of a member's surviving dependent children may not exceed the basic monthly pension currently being paid to retirees.

The spouse and dependent children of a member: (1) who died in the line of duty; or (2) who is permanently and totally disabled by a catastrophic personal injury that was sustained in the line of duty and permanently prevents the member from performing any gainful work; are eligible to attend any Indiana state-supported college or university tuition free.

In addition, IC 5-10-10 provides a $ 150,000 lump sum special death benefit for deaths occurring in the line of duty.

Disability Benefits

The regular disability benefit for a disabled member may not exceed the maximum basic pension amount. If the member's disability was incurred in the line of duty, the member is entitled to an additional $40 per month for each dependent parent and dependent child under age 18.

If a member is permanently and totally disabled by a catastrophic personal injury that: (1) is sustained in the line of duty after January 1, 2001; and (2) permanently prevents the member from performing any gainful work; the member is entitled to a disability benefit equal to the member's salary at the commencement of the disability in lieu of the regular disability benefit. The member is also entitled to increases in the disability benefit equal to the salary increases that the member would have received had the member remained in active service.

A member who meets the conditions listed in IC 5-10-13 has a presumption that a total or partial disability or death resulting from a health condition caused by AIDS, anthrax, hepatitis, HIV, meningococcal meningitis, smallpox, or tuberculosis is a disability or death incurred in the line of duty. The presumption may be rebutted by competent evidence. A meeting or hearing held to rebut the presumption may be held as an executive session under IC 5-14-1.5-6.1(b)(1). The presumption affects only the determination as to whether a disability or death was incurred in the line of duty and does not change the requirements for determining eligibility for disability benefits.

Postretirement Increases

The Pre-1987 Plan provides that after a retiree reaches age 55, the retiree will receive a pension increase equal to one-half of the difference between: (a) the member's current pension; and (b) the maximum monthly pension of a person retiring in that year with 20 years' service. The 1987 Plan does not provide for pension adjustments after retirement.

The basic monthly pension payable after June 30, 1995, to members of the 1987 Plan who retired after June 30, 1987, and before July 1, 1990, was increased by $39 on July 1, 1995.

Number of Plan Participants

Pre-1987 Plan

As of July 1, 2004, there were 211 active participants (comprising 18% of the Fund membership). Retired participants and beneficiaries receiving benefits totaled 991 with 26 disabled participants entitled to future benefits under the pre-1987 plan.

1987 Plan

As of July 1, 2004, there were 963 active participants (comprising 82% of the Fund membership). Retired participants and beneficiaries receiving benefits totaled 335 with 12 disabled participants entitled to future benefits under the 1987 plan.

Social Security Coverage

Members of the State Police pension fund are not covered by federal Social Security. However, the Medicare portion of FICA applies to sworn State Police personnel hired after 1985.

Source of Revenue

Appropriations to the State Police pension fund are made from the state General Fund and from the state Motor Vehicle Highway Account.

1995-1999 STATE POLICE FUND INFORMATION

	1995	1996	1997	1998	1999
Number of Retirees	1,092	1,121	1,144	1,153	1,203
Number of Active	1,219	1,250	1,261	1,266	1,300
Total	2,311	2,371	2,405	2,419	2,503
Normal Cost	5,211,051	5,911,040	6,034,936	6,131,164	6,110,293
Accrued Liability	244,333,720	268,122,425	279,575,105	289,612,135	303,804,704
Assets	215,820,081	229,112,655	240,879,851	255,614,003	273,032,332
Unfunded Accrued Liability	28,513,639	39,009,770	38,695,254	33,998,132	30,772,372
Payout	8,823,850	9,439,251	10,091,897	10,302,387	11,742,837
Average Annual Benefit	8,080	8,420	8,822	8,935	9,761

The fund is currently actuarially funded.

2000-2004 STATE POLICE FUND INFORMATION

	2000	2001	2002	2003	2004
Number of Retirees	1,246	1,282	1,320	1,341	1,364
Number of Active	1,285	1,288	1,270	1,235	1,174
Total	2,531	2,570	2,590	2,576	2,538
Normal Cost	6,594,225	6,614,322	6,584,580	6,578,867	6,747,642
Accrued Liability	326,015,612	338,867,491	349,772,276	360,501,721	378,770,114
Assets	292,382,579	307,072,445	304,773,107	313,123,162	311,707,048
Unfunded Accrued Liability	33,633,033	31,795,04	44,999,169	47,378,559	67,063,066
Payout	12,811,501	14,115,777	15,364,298	16,363,734	17,453,792
Average Annual Benefit	10,282	11,011	11,640	12,203	12,796

The fund currently is actuarially funded.

1925 POLICE PENSION FUND,
1937 FIREFIGHTERS' PENSION FUND, AND
1953 POLICE PENSION FUND

IC 36-8-6, 7, 7.5
ACCT. NO. 6590-107900

With certain exceptions, these pension funds cover all police officers and firefighters hired before May 1, 1977, who did not elect to convert their benefit coverage to the 1977 plan. The 1925 Police Pension Fund (1925 Fund) covers police officers, and the 1937 Firefighters' Pension Fund (1937 Fund) covers firefighters. The 1953 Police Pension Fund (1953 Fund) applies only to Indianapolis police officers. The funds are a collection of separate funds administered by each city. The police officers' and firefighters' funds of each city are completely independent of any other city's funds.

Retirement Benefits

A member of a fund who retires from active duty after 20 or more years is entitled to an annual pension equal to 50% of the salary of a first class officer, as defined by the city.

A member who serves more than 20 years is entitled to additional amounts equal to:

> (1) 2% per year for each year of service over 20 years, for a member who retired before January 1, 1986; or
>
> (2) 1% for each half year of service over 20 years, for a member who retires after December 31, 1985.

The maximum benefit is equal to 74% of the salary of a first class officer.

Deferred Retirement Option Plan (DROP)

Beginning on January 1, 2003, a member may choose to participate in a deferred retirement option plan (DROP) within the member's existing pension fund. The DROP allows a member to continue to work and earn a salary for up to 36 months and then retire with a pension benefit, plus receive an additional amount equal to the total of the pension benefits that the member would have been paid during the same period had the member retired, payable either in:

(1) a lump sum; or

(2) three equal annual payments.

A member is eligible to participate if, on the member's DROP entry date, the member could retire and immediately receive unreduced retirement benefits. A member who elects to enter the DROP agrees to:

(1) make an irrevocable election to retire on a future date between 12 and 36 months after the member enters the DROP (DROP retirement date);

(2) remain on active service until the member's DROP retirement date (a member who reaches any mandatory retirement age that may apply to the member must leave the DROP);

(3) continue to make contributions to the member's fund until the member reaches 32 years of service; and

(4) enter the DROP only once in the member's lifetime.

When a member retires on the member's DROP retirement date, the member receives a retirement benefit calculated and paid:

(1) as if the member had never entered the DROP; or

(2) as if the member had retired on the date the member entered the DROP (DROP frozen benefit), plus an additional amount equal to the DROP frozen benefit multiplied by the number of months that the member was in the DROP. The member elects to receive the additional benefit in:

(1) a lump sum; or

(2) three equal annual payments.

If a member who enters the DROP dies, becomes disabled, or exits the DROP for any reason other than retirement on the member's DROP retirement date, the benefit for the member (or the member's survivors) is calculated as if the member had never entered the DROP.

The statutory authority for the DROP expires December 31, 2007. All members electing the DROP must exit the DROP by that date.

Vesting

A member is vested after 20 years of service. A member who is granted an unpaid leave of absence under the federal Family Medical Leave Act of 1993 is entitled, to the extent required by the Act, to be credited with time spent on the leave for purposes of determining vesting.

Contributions

Members contribute 6% of the salary of a first class patrolman or firefighter. Members are not required to contribute after 32 years of service. An employer may pay all or part of a member's contribution.

Retirement Age

Normal retirement age is any age with 20 years of service.

Disability Benefits

<u>1925 Fund</u>

A member is disabled if:

(1) before July 1, 2000, the member suffers or contracts a mental or physical disease or disability; or

(2) after June 30, 2000, the member suffers or contracts a mental or physical disease or disability that is:

- (A) a direct result of:
  - (i) a personal injury while the member is on duty or is responding to an offense off duty; or
  - (ii) an occupational disease;
- (B) a duty-related disease;
- (C) a disability presumed incurred in the line of duty under IC 5-10-13; or
- (D) a mental or physical disease or disability not described in (A),(B), or (C); and

that prevents the member from performing the essential functions of any duty in the police department, considering reasonable accommodation to the extent required by the Americans with Disabilities Act.

The 1977 Fund Advisory Committee determines whether a member's disability is duty-related after reviewing a recommendation made by the local board.

A member who meets the conditions listed in IC 5-10-13 has a presumption that a total or partial disability or death resulting from a health condition caused by AIDS, anthrax, hepatitis, HIV, meningococcal meningitis, smallpox, or tuberculosis is a disability or death incurred in the line of duty. The presumption may be rebutted by competent evidence. A meeting or hearing held to rebut the presumption may be held as an executive session under IC 5-14-1.5-6.1(b)(1). The presumption affects only the determination as to whether a disability or death was incurred in the line of duty and does not change the requirements for determining eligibility for disability benefits.

A member who becomes disabled after June 30, 1982, is entitled to receive a monthly disability benefit equal to 55% of the salary of a first class patrolman. A member disabled before July 1, 1982, is entitled to a disability benefit equal to 50% of the salary of a first class officer. However, if a member who becomes eligible for disability benefits has more than 20 years of service, the member is entitled to receive disability benefits equal to the pension the member would have received if the member had retired on the date of the disability.

A member receiving disability benefits transfers to regular retirement status at age 55.

The time spent receiving disability benefits is counted as active service for the purpose of determining retirement benefits until the member reaches a total of 20 years of service.

<u>1937 Fund</u>

A member is disabled if:

(1) before July 1, 2000, the member is found upon examination by a medical officer to be physically or mentally disabled and unable to perform the essential functions of the job; or

(2) after June 30, 2000, the member has a disability that is:

(A) a direct result of:

(i) a personal injury while the member is on duty or is responding to an emergency or a reported emergency for which the member is trained; or

(ii) an occupational disease;

(B) a duty-related disease;

(C) a disability presumed incurred in the line of duty under IC 5-10-13; or

(D) a disability not described in (A), (B), or (C); and

the member is unable to perform the essential functions of the job, considering reasonable accommodation to the extent required by the Americans with Disabilities Act.

The 1977 advisory fund committee determines whether a member's disability is duty-related after reviewing a recommendation made by the local board.

A member who meets the conditions listed in IC 5-10-13 has a presumption that a total or partial disability or death resulting from a health condition caused by AIDS, anthrax, hepatitis, HIV, meningococcal meningitis, smallpox, or tuberculosis is a disability or death incurred in the line of duty. The presumption may be rebutted by competent evidence. A meeting or hearing held to rebut the presumption may be held as an executive session under IC 5-14-1.5-6.1(b)(1). The presumption affects only the determination as to whether a disability or death was incurred in the line of duty and does not change the requirements for determining eligibility for disability benefits.

A member who becomes disabled is entitled to receive a monthly disability benefit equal to 55% of the salary of a first class firefighter at the time of the payment of the pension.

A member receiving disability benefits transfers to regular retirement status at age 55.

When a member receiving disability benefits is transferred from disability to regular retirement status, the member's monthly pension may not be reduced below 55% of the salary of a first class firefighter at the time of the payment of the pension.

1953 Fund

A member is disabled if:

(1) before July 1, 2000, the member has been:

(A) in active service for more than one year and has suffered or contracted a physical or mental disease or disability that renders the member unfit for active duty; or

(B) in active service for less than one year and is injured from violent external causes while discharging the member's duties as a police officer; or

(2) after June 30, 2000, the member suffers or contracts a mental or physical disease or disability that is:

(A) a direct result of:

(i) a personal injury while the member is on duty or is responding to an offense or a reported offense off duty; or

(ii) an occupational disease;

(B) a duty-related disease;

(C) a disability presumed incurred in the line of duty under IC 5-10-13; or

(D) a mental or physical disease or disability not described in (A), (B), or (C), if the member has been in active service for at least one year; and

that renders the member unable to perform the essential functions of the job, considering reasonable accommodation to the extent required by the Americans with Disabilities Act.

The 1977 Fund Advisory Committee determines whether a member's disability is duty-related after reviewing a recommendation made by the local board.

A member who meets the conditions listed in IC 5-10-13 has a presumption that a total or partial disability or death resulting from a health condition caused by AIDS, anthrax, hepatitis, HIV, meningococcal meningitis, smallpox, or tuberculosis is a disability or death incurred in the line of duty. The presumption may be rebutted by competent evidence. A meeting or hearing held to rebut the presumption may be held as an executive session under IC 5-14-1.5-6.1(b)(1). The presumption affects only the determination as to whether a disability or death was incurred in the line of duty and does not change the requirements for determining eligibility for disability benefits.

A member permanently disabled before July 1, 1991, is entitled to a monthly disability benefit equal to 50% of the salary of a first class patrolman.

A member permanently disabled after June 30, 1991, is entitled to receive a monthly disability benefit equal to 55% of the salary of a first class patrolman.

A member who is temporarily disabled is entitled to receive a monthly disability benefit equal to 30% of the salary of a first class patrolman until the member is able to return to active service.

A member receiving disability benefits transfers to regular retirement status at age 55.

When a member receiving permanent disability benefits for a disease or disability occurring after June 30, 1991, is transferred from disability to regular retirement status, the member's monthly pension may not be reduced below 55% of the salary of a first class patrolman at the time of the payment of the pension.

Survivor Benefits

<u>1925 Fund and 1937 Fund</u>

DEATH OTHER THAN IN LINE OF DUTY

The amount payable to the surviving spouse and surviving child of a deceased member who did not die in the line of duty is fixed by local ordinance, with the following minimum amounts:

(1) The surviving spouse of a member who died before January 1, 1989, is entitled to receive an amount equal to not less than 30% of the monthly salary of a first class officer during the surviving spouse's life.

(2) The surviving spouse of a member who dies after December 31, 1988, is entitled to a survivor benefit during the spouse's lifetime

equal to the greater of: (a) 30% of the monthly salary of a first class officer; or (b) 55% of the monthly benefit the deceased member was receiving or was entitled to receive on the date of the member's death (or, if the deceased member was not entitled to a benefit because the member had not completed 20 years of service, an amount equal to 50% of the monthly salary of a first class officer).

(3) A surviving child of a member is entitled to a survivor benefit that is fixed by local ordinance, but that is not less than 20% of the monthly salary of a first class officer. A surviving child is entitled to receive the survivor benefit until the child:

(A) reaches age 18;

(B) reaches age 23, if the child is enrolled in and regularly attending a secondary school or is a full-time student at an accredited college or university; or

(C) is no longer physically or mentally disabled.

(4) If a member dies without a surviving spouse or without children qualified to receive survivor benefits, the dependent parents of the member are entitled jointly to a benefit equal to:

(A) 20% of the salary of a first class patrolman, in the case of a 1925 Fund member; or

(B) 30% of the salary of a first class firefighter, in the case of a 1937 Fund member.

DEATH IN LINE OF DUTY

Before September 1, 1982

The amount payable to the survivors of a deceased member who died in the line of duty before September 1, 1982, is fixed by local ordinance, with the following minimum amounts:

(1) To the surviving spouse, an amount not less than 30% of the monthly salary of a first class officer at the time of the payment of the pension.

(2) To each surviving child who is not physically or mentally disabled, a benefit that is fixed by local ordinance, but that is not less than 20% of the monthly salary of a first class officer. A surviving child is entitled to receive a benefit until the child:

(A) reaches age 18; or

(B) reaches age 23, if the child is enrolled in and regularly attending a secondary school or is a full-time student at an accredited college or university.

(3) To each surviving child who is physically or mentally disabled, an amount at least:

(A) equal to 20% of the monthly salary of a first class officer, in the case of members of the 1925 Fund; or

(B) equal to the amount paid to the surviving spouse (currently 30% of the monthly salary of a first class officer), in the case of members of the 1937 Fund;

for as long as the physical or mental incapacity continues.

(4) If a member dies without a surviving spouse or without children qualified to receive survivor benefits, the dependent parents of the member are entitled jointly to a benefit equal to:

(A) 20% of the salary of a first class patrolman, in the case of a 1925 Fund member; or

(B) 30% of the salary of a first class firefighter, in the case of a 1937 Fund member.

After August 31, 1982

The amounts payable to the survivors of a deceased member who died in the line of duty after August 31, 1982, are the following:

(1) To the surviving spouse, a monthly benefit during the spouse's life in an amount not less than 50% of the monthly salary of a first class officer.

(2) To each surviving child who is not physically or mentally disabled, a monthly benefit in an amount fixed by local ordinance, but at least 20% of the monthly salary of a first class officer until the child:

(A) reaches age 18; or

(B) reaches age 23, if the child is enrolled in and regularly attending a secondary school or is a full-time student at an accredited college or university.

(3) To each surviving child who is physically or mentally disabled, an amount:

(A) at least equal to 20% of the monthly salary of a first class officer, in the case of members of the 1925 Fund; or

(B) equal to the amount paid to the surviving spouse (currently 50% of the monthly salary of a first class officer), in the case of members of the 1937 Fund;

for as long as the physical or mental incapacity continues.

In addition, the children may receive an additional benefit in an amount fixed by local ordinance as long as the total of the additional benefit paid to all of the member's children collectively does not exceed 30% of the monthly salary of a first class officer. However, this limit does not apply to physically or mentally disabled children.

(4) To the dependent parents of a member without a surviving spouse or without children qualified to receive survivor benefits, a monthly benefit received jointly equal to;

(A) 20% of the salary of a first class patrolman, in the case of a 1925 Fund member; or

(B) 30% of the salary of a first class firefighter, in the case of a 1937 Fund member.

The parents receive this benefit as long as they remain dependent.

For the 1925 Fund the total regular survivor benefits received by the surviving spouse and the surviving children may not exceed the maximum pension that would be paid to a member who retires after 20 years of service or 74% of the salary of a first class police officer, whichever is less.

If the salary of a first class police officer increases or decreases, the pension amount is proportionally increased or decreased; however, the amount may not be reduced below the amount of the first full monthly pension paid to a member's survivors.

SPECIAL DEATH BENEFIT

The amount of the lump sum payment for funeral expenses of a member is fixed by local ordinance. However, the minimum funeral benefit for members who die after December 31, 1998, is $9,000.

In addition, if a member dies in the line of duty, a special death benefit of $150,000 is paid from the Pension Relief Fund established under IC 5-10.3-11.

SURVIVOR HEALTH INSURANCE

A local unit that employed a member who dies in the line of duty must, after December 31, 2003, offer to provide and pay for health insurance coverage for the member's surviving spouse and each natural child, stepchild, or adopted child of the member:

> (1) until the child becomes 18 years of age;
> (2) until the child becomes 23 years of age, if the child is enrolled in and regularly attending a secondary school or is a full-time student at an accredited college or university; or
> (3) during the entire period of the child's physical or mental disability;

whichever period is the longest. If health insurance is offered by the unit to active members, the health insurance provided to a surviving spouse and child must be equal in coverage to that offered to active members. The offer must remain open for as long as there is a surviving spouse or child eligible for the coverage.

1953 Fund

DEATH OTHER THAN IN LINE OF DUTY

The survivors of a deceased member who dies from any cause after serving for one year or more is entitled to an annuity in the following amounts:

(1) The surviving spouse of a member who died before January 1, 1989, is entitled to receive an amount equal to 30% of the monthly salary of a first class officer during the surviving spouse's life.

(2) The surviving spouse of a member who dies after December 31, 1988, is entitled to a survivor benefit during the spouse's lifetime equal to the greater of: (a) 30% of the monthly salary of a first class officer; or (b) 55% of the monthly benefit the deceased member was receiving or was entitled to receive on the date of the member's death (or, if the deceased member was not entitled to a benefit because the member had not completed 20 years of service, an amount equal to 50% of the monthly salary of a first class officer).

(3) Each surviving child of a member is entitled to an annuity equal to 20% of the monthly salary of a first class officer. A surviving child is entitled to receive payments until the child:

(A) reaches age 18;

(B) reaches age 23, if the child is enrolled in and regularly attends a secondary school or is a full-time student at an accredited college or university; or

(C) is no longer physically or mentally disabled.

However, the payments stop if the child marries or is legally adopted.

(4) If a member dies without a surviving spouse or without children qualified to receive survivor benefits, the dependent parents of the member are entitled jointly to an annuity equal to 20% of the salary of a first class officer. The payments continue for the lives of the parents or until the parents have sufficient other income for their proper care, maintenance, and support.

DEATH IN LINE OF DUTY

Before September 1, 1982

The survivors of a member who died in the line of duty before September 1, 1982, are entitled to an annuity in the following amounts:

(1) To the surviving spouse, an amount not less than 30% of the monthly salary of a first class officer.

(2) To each surviving dependent child, an amount equal to 20% of the monthly salary of a first class officer. A surviving child is entitled to receive a pension until the child:

(A) reaches age 18;

(B) reaches age 23, if the child is enrolled in and regularly attending a secondary school or is a full-time student at an accredited college or university; or

(C) is no longer physically or mentally disabled.

However, the payments stop if the child marries or is legally adopted.

(3) If a member dies without a surviving spouse or without children qualified to receive survivor benefits, the dependent parents of the member are entitled jointly to an annuity not greater than 20% of the salary of a first class officer. The payments continue for the lives of the parents or until the parents have sufficient other income for their proper care, maintenance, and support.

After August 31, 1982

The survivors of a member who died in the line of duty after August 31, 1982, are entitled to an annuity in the following amounts:

(1) To the surviving spouse, a monthly benefit during the spouse's life equal to the benefit to which the member would have been entitled on the date of the member's death, but not less than 50% of the monthly salary of a first class officer.

(2) To each surviving dependent child, a monthly benefit in an amount equal to 20% of the monthly salary of a first class officer until the child:

(A) reaches age 18;

(B) reaches age 23, if the child is enrolled in and regularly attending a secondary school or is a full-time student at an accredited college or university; or

(C) is no longer physically or mentally disabled.

However, the payments stop if the child marries or is legally adopted.

In addition, the children may receive an additional benefit in an amount fixed by local ordinance; however, the total of the additional benefit paid to all of the member's children collectively may not exceed 30% of the monthly salary of a first class officer. However, this limit does not apply to physically or mentally disabled children.

(3) If a member dies without a surviving spouse or children qualified to receive survivor benefits, the dependent parents of the member are entitled jointly to an annuity not greater than 20% of the salary of a first class officer. The payments continue for the lives of the parents or until the parents have sufficient other income for their proper care, maintenance, and support.

If the salary of a first class police officer increases or decreases, the pension amount is proportionally increased or decreased; however, the amount may not be reduced below the amount of the first full monthly pension paid to a member's survivors.

SPECIAL DEATH BENEFIT

The beneficiary or estate of a member, active or retired, who dies:

(1) from any cause after one year of service; or

(2) while discharging the member's duties as a police officer with less than one year of service;

receives a lump sum death benefit of $9,000.

If a member dies in the line of duty, an additional special death benefit of $150,000 is paid from the Pension Relief Fund established under IC 5-10.3-11.

SURVIVOR HEALTH INSURANCE

A local unit that employed a member who dies in the line of duty must, after December 31, 2003, offer to provide and pay for health insurance coverage for the member's surviving spouse and each natural child, stepchild, or adopted child of the member:

(1) until the child becomes 18 years of age;

(2) until the child becomes 23 years of age, if the child is enrolled in and regularly attending a secondary school or is a full-time student at an accredited college or university; or

(3) during the entire period of the child's physical or mental disability;

whichever period is the longest. If a unit offers health insurance to active members, the health insurance offered to a surviving spouse and child must be equal in coverage to that offered to active members. The offer must remain open for as long as there is a surviving spouse or child eligible for the coverage.

Family Medical Leave

A member of the 1925 Fund, 1937 Fund, or 1953 Fund who is granted an unpaid leave of absence under the federal Family Medical Leave Act must be credited with time spent on leave for the purposes of benefit eligibility and vesting to the extent required by the Act.

Postretirement Increases

A member's benefits are tied to the salary of a first class officer. Therefore, if the salary of a first class officer increases or decreases, the monthly pension amount is proportionally increased or decreased; however, the amount may not be reduced below the greater of:

(1) the amount of the first full monthly pension paid to a member; or

(2) 55% of the salary of a first class officer.

Funding

The police and fire plans are funded on a pay-as-you-go basis. Therefore, a municipality appropriates only the amount necessary to fund the benefits due in a particular year.

Active members of the 1925, 1937, and the 1953 plans had the option of converting to the 1977 Police Officers' and Firefighters' Fund. Police officers and firefighters who converted to the 1977 Fund were given a $10,000 bonus by the state for exercising the option to convert. After such a conversion, the member is covered by the benefit structure of the new plan, but the benefits are still financed by the local unit. Approximately 3,250 police and firefighters converted to the 1977 fund.

On July 1, 1998, responsibility for benefit payments made on or after October 1, 1998, to police officers and firefighters who:

(1) had converted to the 1977 Fund; and

(2) retired or became disabled on or before June 30, 1998;

was transferred from the 1925, 1937, and 1953 Funds to the 1977 Fund. Approximately 1,300 police and firefighter retirees with annual benefits totaling $20.1 million were affected by this provision.
Responsibility for benefit payments made to police officers and firefighters who are convertees and retire after June 30, 1998, remains with the local unit.

To fund the additional payments made at retirement to members who participate in a DROP, the ad valorem property tax levy limits imposed by IC 6-1.1-18.5 do not apply to ad valorem property taxes imposed by a civil taxing unit for a calendar year to fund the additional payments, to the extent the amounts needed to pay the additional payments are not included under one of the pension relief distributions authorized by IC 5-10.3-11 or IC 5-13-12-4.

Source of Revenue

The necessary funds for each local fund are appropriated annually in the municipality's budget. However, the state has dedicated 8.49% of the Cigarette Tax and 13% of the tax on liquor to provide relief to the police and fire funds.

The dedicated and undistributed balances of the Pension Relief Fund as of June 30 for each of the indicated years were the following:

1994:	$404,010,175
1995:	$404,085,639
1996:	$424,638,072
1997:	$469,793,503
1998:	$517,898,849
1999:	$503,516,000
2000:	$517,502,000
2001:	$523,417,000
2002:	*$426,914,000
2003:	**$421,714,274
2004:	***$393,571,572

*Includes $27,536,000 in cities' and towns' sub-accounts.
**Includes $24,727,085 in cities' and towns' sub-accounts.
***includes $20,141,240 in cities' and towns' sub-accounts.

The following were the distributions made to municipalities from the Pension Relief Fund for the indicated state fiscal years:

1994:	$74,883,015
1995:	$78,219,000
1996:	$85,742,345
1997:	$84,064,006
1998:	$83,166,367
1999:	$74,352,833
2000:	$76,652,040
2001:	*$189,818,365
2002:	$95,587,925
2003:	$97,256,713
2004:	$103,462,796

*Represents three distributions

Surplus lottery revenues of $10,000,000 are transferred to the Pension Relief Fund each year. In addition, the lottery revenues provided an additional distribution of pension relief to local units of government. The amount of additional relief was:

1994:	$4,540,000
1995:	$6,039,000
1996:	$6,593,000
1997:	$7,799,000
1998:	$8,781,000
1999:	$9,869,000
2000:	$11,077,000
2001:	*$26,310,000
2002:	$15,536,000
2003:	$17,351,000
2004:	$19,356,000
2005:	$21,572,000
2006:	$24,020,000
2007:	$26,722,000
2008:	$29,704,000
2009:	$32,992,000
2010:	$30,543,000
2011:	$23,941,000
2012:	$15,742,000
2013:	$10,000,000

*Represents two distributions

NOTE: Years 2004 through 2013 are estimates based on 1998 analysis.

1995-1999 INFORMATION FOR
1925, 1937, and 1953 POLICE AND FIREFIGHTERS' FUND INFORMATION

	1995	1996	1997	1998	1999
Active Members*	3,451	3,196	2,885	2,624	2,262
Benefit Recipients*	9,508	9,612	9,744	9,933	8,802
Term. Vested Members*	22	21	20	14	22
Total	12,981	12,829	12,649	12,571	11,086
Normal Cost	34,323,900	32,519,600	28,159,900	25,957,600	23,341,300
Active Accrued Liability	999,990,800	983,938,800	996,495,500	955,585,300	873,604,700
Benefit Recipient Accrued Liability	2,169,099,100	2,276,693,000	2,607,643,900	2,734,361,700	2,472,208,600
Term. Vested Accrued Liability	3,994,800	3,897,000	4,258,000	3,378,000	7,228,500
Total Accrued Liability	3,173,034,700	3,264,528,800	3,608,397,400	3,693,325,000	3,353,041,800
Assets	0	0	0	0	0
Unfunded Liability	3,173,034,700	3,264,528,800	3,608,397,400	3,693,325,000	3,353,041,800
Payout	137,206,700	145,960,200	153,075,000	162,569,400	150,707,700
Average Annual Benefit	14,431	15,185	15,710	16,367	17,122

*Includes members who converted to the 1977 Fund.

2000-2004 INFORMATION FOR
1925, 1937, and 1953 POLICE AND FIREFIGHTERS' FUND INFORMATION

	2000	2001	2002	2003	**2004
Active Members*	1,974	1,735	1,566	1,447	1,300
Benefit Recipients*	8,872	8,931	8,611	9,008	9,100
Term. Vested Members*	8	8	2	0	0
Total	10,854	10,674	10,179	10,455	10,400
Normal Cost	20,696,400	18,420,100	16,867,600	16,458,600	15,000,000
Active Accrued Liability	797,163,100	733,525,800	690,522,300	691,487,800	651,000,000
Benefit Recipient Accrued Liability	2,585,709,600	2,677,196,600	2,672,839,600	2,642,620,500	2,687,000,000
Term. Vested Accrued Liability	2,599,700	2,560,200	620,900	0	0
Total Accrued Liability	3,385,472,400	3,413,282,600	3,363,982,800	3,334,108,300	3,338,000,000
Assets	0	0	0	0	0
Unfunded Liability	3,385,472,400	3,413,282,600	3,363,982,800	3,334,108,300	3,338,000,000
Payout	159,408,700	167,137,200	169,912,700	176,190,500	183,000,000
Average Annual Benefit	17,968	18,714	19,732	19,559	20,110

*Includes members who converted to the 1977 Fund.

**The funding figures for 2004 have been estimated since the 2004 valuation was not completed at the time of publication.

1977 POLICE OFFICERS' AND FIREFIGHTERS' PENSION AND DISABILITY FUND

IC 36-8-8
TRUST ACCT. NO. 6580-107800

The 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund) is a defined benefit multi-employer fund covering all full-time police and firefighters who are hired (or rehired) after April 30, 1977.

The 1977 Fund also covers members of the 1925, 1937, or 1953 Funds who elected to have their benefits converted to coverage by the 1977 Fund. Individuals who in 1980 converted to the benefits provided by this plan also received a $10,000 incentive bonus. Local units paid the total amount of the benefits and received Pension Relief reimbursement for those payments.

On July 1, 1998, responsibility for benefit payments made on or after October 1, 1998, to police officers and firefighters who:

(1) had converted to the 1977 Fund; and

(2) retired or became disabled on or before June 30, 1998;

was transferred from the local units to the 1977 Fund. Responsibility for benefit payments for police officers and firefighters who are convertees to the 1977 Fund and retire after June 30, 1998, remain with the local units.

In addition, the 1977 Fund covers:

(1) police matrons who:

(A) were hired (or rehired) after April 30, 1977, and before July 1, 1996; and
(B) were members of a police department in a second or third class city on March 31, 1996; and

(2) park rangers who:

(A) completed at least the number of weeks of training required at:

(1) the Indiana Law Enforcement Training Academy (currently 12 weeks); or

(2) a comparable law enforcement academy in another state;

(B) graduated from:

(1) the Indiana Law Enforcement Training Academy; or

(2) a comparable law enforcement academy in another state; and

(C) are employed by the Evansville Parks Department .

The 1977 Fund is administered by the PERF Board.

Confidentiality of 1977 Fund Records

The 1977 Fund records of individual members and membership information are confidential, except for the name and years of service of a 1977 Fund member.

Retirement Benefits

Each member who qualifies for retirement benefits is entitled to receive a monthly retirement benefit equal to 50% of the monthly salary of a first class officer (as determined by the member's city) in the year the member ended service.

Members who serve more than 20 years are entitled to an additional amount equal to:

(1) 2% of the salary of a first class officer for each year of service over 20 years, for members who retired before January 1, 1986; or

(2) 1% for each six months of service over 20 years, for members who retire after December 31, 1985;

to a maximum of 12 years of additional service. The maximum benefit is 74% of the salary of a first class officer.

If a member elects to receive a benefit prior to age 52, then the amount of the member's retirement benefit is actuarially reduced.

Deductions from Benefits

A member may, after June 30, 2004, authorize certain deductions from the member's benefit if:

(1) The authorization is:

(A) in writing;
(B) signed personally by the member receiving the benefit;
(C) revocable at any time by the member receiving the benefit with written notice to the PERF Board; and
(D) agreed to in writing by the PERF Board.

(2) The PERF Board receives the authorization within ten days of the date the authorization is signed.

(3) The deduction is made for the purpose of paying any of the following:

(A) A premium on a policy of insurance for medical, surgical, hospitalization, dental, vision, long-term care, or Medicare supplement coverage offered to retired members by the member's former employer, the state, or the PERF Board.
(B) A pledge or contribution to a charitable or nonprofit organization.
(C) Dues payable by the member receiving the benefit to a labor organization to which the member belongs.

Deferred Retirement Option Plan (DROP)

Beginning on January 1, 2003, a member may choose to participate in a deferred retirement option plan (DROP) within the member's existing pension fund. The DROP allows a member to continue to work and earn a salary for up to 36 months and then retire with a pension benefit, plus receive an additional amount equal to the total of the pension benefits that the member would have been paid during the same period had the member retired, payable either in:

(1) a lump sum; or
(2) three equal annual payments.

A member is eligible to participate if, on the member's DROP entry date, the member could retire and immediately receive unreduced retirement benefits. A member who elects to enter the DROP agrees to:

(1) make an irrevocable election to retire on a future date between 12 and 36 months after the member enters the DROP (DROP retirement date);

(2) remain on active service until the member's DROP retirement date (a member who reaches any mandatory retirement age that may apply to the member must leave the DROP);

(3) continue to make contributions to the member's fund until the member reaches 32 years of service; and

(4) enter the DROP only once in the member's lifetime.

When a member retires on the member's DROP retirement date, the member receives a retirement benefit calculated and paid:

(1) as if the member had never entered the DROP; or

(2) as if the member had retired on the date the member entered the DROP (DROP frozen benefit), plus an additional amount equal to the DROP frozen benefit multiplied by the number of months that the member was in the DROP. The member elects to receive the additional benefit in :

(1) a lump sum; or

(2) three equal annual payments.

If a member who enters the DROP dies, becomes disabled, or exits the DROP for any reason other than retirement on the member's DROP retirement date, the benefit for the member (or the member's survivors) is calculated as if the member had never entered the DROP.

The statutory authority for the DROP expires December 31, 2007. All members electing the DROP must exit the DROP by that date.

Contributions

A member is required to contribute 6% of the salary of a first class patrolman or firefighter. However, a member is not required to make contributions after 32 years of service. An employer may pay all or part of a member's contribution.

Service Credit Purchase

A member of the 1977 Fund who:

(1) first became a member of the 1977 Fund after December 31, 1993, and before October 1, 1996;

(2) was at least 36 years of age at the time the member first became a member of the 1977 Fund; and

(3) will not accrue 20 years of service credit in the 1977 Fund before the member reaches the mandatory retirement age established by the member's employer;

may purchase the service credit needed for the member to retire with a full unreduced benefit by making contributions to the 1977 Fund equal to the product of the following:

(1) The salary of a first class patrolman or firefighter, whichever is applicable, at the time the member makes the contribution.

(2) 27%.

(3) The number of years of service credit the member intends to purchase.

The service credit purchased is limited to the amount necessary, when added to the member's active service, for the member to accrue 20 years of service credit in the 1977 Fund by the time the member reaches the mandatory retirement age established by the member's employer.

The member may pay the contribution required as:

(1) a lump sum; or

(2) a series of payments determined by the PERF Board, not to exceed five annual payments, plus interest over the period of the payments at a rate determined by the actuary for the 1977 Fund.

A member may not use the service credit unless the member has made all payments required for the purchase of the service credit.

If a member terminates employment before satisfying the eligibility requirements necessary to receive a monthly benefit from the 1977 Fund, the PERF Board must return the amount paid by the member, plus accumulated interest.

The member's employer may adopt an ordinance to pay all or a part of the member's contribution required for the purchase of the service credit.

The 1977 Fund may accept, on behalf of a member who is purchasing permissive service credit, a rollover distribution from any of the following:

(1) A qualified plan described in Section 401(a) or Section 403(a) of the Internal Revenue Code.

(2) An annuity contract or account described in Section 403(b) of the Internal Revenue Code.

(3) An eligible plan that is maintained by a state, a political subdivision, or an agency or instrumentality of a state or political subdivision under Section 457(b) of the Internal Revenue Code.

(4) An individual retirement account or annuity described in Section 408(a) or Section 408(b) of the Internal Revenue Code.

The 1977 Fund also may accept, on behalf of a member who is purchasing permissive service credit, a trustee-to-trustee transfer from the following:

(1) An annuity contract or account described in Section 403(b) of the Internal Revenue Code.

(2) An eligible deferred compensation plan under Section 457(b) of the Internal Revenue Code.

Retirement Age

Normal retirement is age 52 with 20 years of service. A retired member may elect to receive an actuarially reduced benefit at age 50.

Vesting

A members vests after 20 years of service.

Return of Contributions

A member who terminates employment other than by death or disability before becoming eligible for retirement benefits is entitled to the accumulated value of the member's contributions, including any interest.

However, the return of member contributions is not available to members who converted their benefits to the 1977 Plan.

Disability Benefits

I. Retired, But Not Yet Age 55

If a retired member who has not reached age 52 is determined by the PERF board to be permanently or temporarily unable to perform all suitable work for which the member is or may become qualified, the member is entitled to receive during the disability the retirement benefits payable at age 52 (i.e., 50% of the salary of a first class officer with adjustment for service in excess of 20 years).

A member's disability benefits under the 1977 Fund are reduced by the amounts for which the member is eligible from:

(1) disability insurance;

(2) a pension or retirement plan other than the 1977 Fund;

(3) the Social Security Act, Railroad Retirement Act, the United States Department of Veterans Affairs, or any other federal, state, or local governmental agency;

(4) worker's compensation; or

(5) any salary or wage the member receives or is entitled to receive from another employer.

A member receiving disability benefits transfers to regular retirement status at 55.

II. Active Members

If an active fund member has a covered impairment, the member is entitled to receive a disability benefit.

Upon a request from a fund member or from the safety board of the appropriate police or fire department, the local pension board shall conduct a hearing to determine whether the fund member has a covered impairment. PERF reviews:

(1) a local board's determination that a covered impairment exists and that there is no suitable and available work within the department, considering reasonable accommodation to the extent required by the Americans with Disabilities Act; and

(2) local board's determination that no covered impairment exists, if the member requests the review within 30 days after receipt of the determination.

A member who has had a covered impairment and returns to active duty may not be treated as a new applicant seeking to become a member of the 1977 fund.

For purposes of the 1977 Fund disability provisions, a covered impairment is an impairment that permanently or temporarily makes a member unable to perform the essential function of the member's duties with the police or fire department, considering reasonable accommodation to the extent required by the Americans with Disabilities Act. However, a covered impairment does not include an impairment:

(1) resulting from an intentionally self-inflicted injury or attempted suicide;

(2) resulting from the member's commission or attempted commission of a felony;

(3) that begins within two years after a fund member's entry or reentry into active service with the department and that was caused or contributed to by a mental or physical condition that manifested itself before the member entered or reentered active service (with certain exceptions); or

(4) that is occasioned, in whole or in part, by the member currently engaging in:

(A) the use of a controlled substance; or

(B) the unlawful use of a prescription drug.

A member who:

(1) has had a covered impairment (first impairment);

(2) recovers and returns to active service with the department; and

(3) within two years after returning to active service has an impairment (second impairment) that would be a covered impairment except for the restriction described in (3) above;

is entitled to a disability benefit, if the second impairment results from the same condition or conditions (without an intervening cause) that caused the first impairment. The amount of the disability benefit is equal to the amount of the benefit paid to the member at the time of the member's return to active service plus any cost of living adjustments that would have applied during the member's period of reemployment.

For a member:

(1) who:

(A) is hired after March 1, 1992; or

(B) was admitted to the 1977 Fund after having been covered by another public pension plan as a police officer or firefighter; and

(2) who is determined by the PERF board to have a Class 3 excludable condition;

a covered impairment does not include an impairment that would be classified as a Class 3 impairment that:

(A) begins at any time after the fund member's entry or reentry into active service with the department; and

(B) is related in any manner to the Class 3 excludable condition.

Time spent receiving disability benefits is considered active service for the purpose of determining retirement benefits until the member has 20 years of service.

A member receiving disability benefits transfers to regular retirement status at age 55.

A member who was hired for the first time before January 1, 1990, had the option of being covered by the benefit structure provided by IC 36-8-8-13.5 (disability benefits based on classes of impairment) rather than the benefit structure of IC 36-8-8-13.3 (disability benefits not based on classes of impairment).

<u>(1) Members Hired Before January 1, 1990, Who Did Not Elect Coverage Under IC 36-8-8-13.5</u>

A member is disabled if:

(1) before July 1, 2000, the member was determined to have a covered impairment; or

(2) after June 30, 2000, the member is determined to have a covered impairment that is:

(A) a direct result of:

(i) a personal injury while the member is on duty or is responding off duty, in the case of a police officer, to an offense (or reported offense), or in the case of a firefighter, to an emergency (or reported emergency) for which the member is trained; or

(ii) an occupational disease;

(B) a duty-related disease; or

(C) a covered impairment not described in (A) or (B); and

for whom it is determined there is no suitable and available work within the member's department, considering reasonable accommodation to the extent required by the Americans with Disabilities Act.

The 1977 Fund Advisory Committee determines whether a member's disability is duty-related after reviewing a recommendation made by the local board.

A member who meets the conditions listed in IC 5-10-13 has a presumption that a total or partial disability or death resulting from a health condition caused by AIDS, anthrax, hepatitis, HIV, meningococcal meningitis, smallpox, or tuberculosis is a disability or death incurred in the line of duty. The presumption may be rebutted by competent evidence. A meeting or hearing held to rebut the presumption may be held as an executive session under IC 5-14-1.5-6.1(b)(1). The presumption affects only the determination as to whether a disability or death was incurred in the line of duty and does not change the requirements for determining eligibility for disability benefits.

A member is entitled to receive a benefit equal to the benefit the member would have received if the member had retired. If the disabled member does not have at least 20 years of service or is not at least age 52, the disability benefit is computed and paid as if the member had 20 years of service and was age 52. The member is entitled to the benefit during the period of the member's disability.

<u>(2) Members Hired After December 31, 1989, Members Who Elected Coverage Under IC 36-8-8-13.5, or Members with Prior Membership in Another Public Pension Plan as a Police Officer or Firefighter</u>

These provisions apply to a member who:

(1) was first hired after December 31, 1989;

(2) chose coverage under IC 36-8-8-13.5; or

(3) prior to membership in the 1977 Fund, was covered by another public pension plan as a police officer or firefighter.

At the same hearing at which the local board determines whether the member has a covered impairment, the local board must also determine whether the member has a Class 1, 2, or 3 impairment.

A Class 1 impairment means a covered impairment that is the direct result of:

(1) a personal injury to a member that occurs:

(A) while on duty: or

(B) while off duty and responding to an offense or reported offense, in the case of a police officer, or to an emergency or reported emergency for which the member has been trained, in the case of a firefighter; or

(2) an occupational disease.

(3) A health condition caused by an exposure risk disease that results in a presumption of disability or death incurred in the line of duty under IC 5-10-13.

A member who meets the conditions listed in IC 5-10-13 has a presumption that a total or partial disability or death resulting from a health condition caused by AIDS, anthrax, hepatitis, HIV, meningococcal meningitis, smallpox, or tuberculosis is a disability or death incurred in the line of duty. The presumption may be rebutted by competent evidence. A meeting or hearing held to rebut the presumption may be held as an executive session under IC 5-14-1.5-6.1(b)(1). The presumption affects only the determination as to whether a disability or death was incurred in the line of duty and does not change the requirements for determining eligibility for disability benefits.

A Class 2 impairment means a covered impairment that is a duty-related disease. A duty-related disease means a disease arising out of the member's employment.

A Class 3 impairment means a covered impairment that is not a Class 1 or Class 2 impairment.

A Class 3 excludable condition means a condition included on a list of excludable medical conditions established by the PERF Board by rule.

Monthly base benefits are paid to members:

(1) who are determined to have a covered impairment in one of the following classes; and

(2) for whom it is determined that there is no suitable and available work within the member's department, considering reasonable accommodation to the extent required by the Americans with Disabilities Act.

A member who is determined to have a Class 1 impairment is entitled to a disability benefit equal to 45% of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment.

A member who is determined to have a Class 2 impairment is entitled to a disability benefit equal to 22% of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment, plus 0.5% of that salary for each year of service, up to a maximum of 30 years of service.

A member who is determined to have a Class 3 impairment and who was hired before March 2, 1992, is entitled to a disability benefit equal to the product of the member's years of service (not to exceed 30 years of service) multiplied by 1% of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment.

A member who is determined to have a Class 3 impairment and who: (1) was hired after March 1, 1992, or (2) was covered, prior to membership in the 1977 Fund, by another public pension plan as a police officer or firefighter, is entitled to the following benefits:

> (A) If the member did **not** have a Class 3 excludable condition at the time the member entered or re-entered the fund, the member is entitled to a disability benefit equal to the product of the member's years of service (not to exceed 30 years of service) multiplied by 1% of the monthly salary of

a first class patrolman or firefighter in the year of the local board's determination of impairment.

(B) If the member:

(i) had a Class 3 excludable condition at the time the member entered or re-entered the fund; (ii) the member has completed at least four years of service with the employer after the date the member entered or re-entered the fund; and

(iii) the member now is determined to have a Class 3 impairment that is **not** related in any manner to the member's Class 3 excludable condition;

the member is entitled to a disability benefit calculated as described in (A).

(C) If the member:

(i) had a Class 3 excludable condition at the time the member entered or re-entered the fund; and

(ii)(a) the member has not completed at least four years of service with the employer after the date the member entered or re-entered the fund; or (b) the Class 3 impairment is related in any manner to the member's Class 3 excludable condition;

the member is **not** entitled to a disability benefit.

However, if during the first four years of service with the employer:

(1) a member with a Class 3 excludable condition is determined to have a Class 3 impairment; and

(2) that Class 3 impairment is attributable to an accidental injury that is not related in any manner to the member's Class 3 excludable condition;

the member is entitled to receive a disability benefit calculated as described in (A).

The local board must make the initial determination as to whether an impairment is attributable to an accidental injury. The local board must then forward the initial determination to the director of the PERF board for a final determination by the PERF Board or the PERF board's designee.

If a member is entitled to a monthly base benefit, the member also is entitled to a monthly amount that is not less than 10% and not greater than 45% of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment. The additional monthly amount shall be determined by the PERF medical authority based on the degree of impairment.

Benefits for a Class 1 impairment are payable until the fund member reaches age 52.

Benefits for a Class 2 and a Class 3 impairment are payable:

(1) for a period equal to the years of service of the member, if: (a) the member's total disability benefit is less than 30% of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment; and (b) the member has fewer than four years of service; or

(2) until the member reaches age 52 if the member's benefit is: (a) equal to or greater than 30% of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment; or (b) less than 30% of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment if the member has at least four years of service.

Upon reaching age 52, a member with a Class 1 or Class 2 impairment is entitled to receive the retirement benefit payable to a fund member with:

(1) 20 years of service; or

(2) the total years of service and salary that the member would have earned if the member had remained in active service until becoming 52 years of age;

whichever is greater.

Upon reaching age 52, a member who is receiving or has received a Class 3 impairment benefit that is:

(1) equal to or greater than 30% of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment; or

(2) less than 30% of the monthly salary of a first class patrolman or firefighter in the year of the local board's determination of impairment if the member has at least four years of service;

is entitled to receive the retirement benefit payable to a fund member with 20 years of service.

No more than once every 12 months after the final determination of covered impairment:

(1) the member, the safety board, or the PERF board may file a petition for review of the member's impairment with the local board; or

(2) the local board on its own motion may seek a review of the member's impairment.

Survivor Benefits

DEATH OTHER THAN IN LINE OF DUTY

When a member dies while receiving retirement or disability benefits, while on active duty, or while retired but not receiving benefits, the surviving spouse, dependent children, and dependent parents are entitled to the following benefits:

(1) Each surviving child of the member is entitled to receive a monthly benefit equal to 20% of the member's monthly benefit until the child:

(A) reaches age 18; or

(B) reaches age 23, if the child is enrolled in and regularly attending a secondary school or is a full-time student at an accredited college or university;

whichever period is longer.

(2) A surviving child who is at least 18, who is physically or mentally incapacitated, and who is not a ward of the state is entitled to receive a monthly benefit equal to the greater of:

(A) 30% of the monthly pay of a first class patrol officer or first class firefighter; or

(B) 55% of the monthly benefit the member was receiving or was entitled to receive on the date of the member's death;

during the period of the child's physical or mental incapacity.

(3) The member's surviving spouse is entitled to receive a monthly benefit equal to 60% of the member's monthly benefit during the spouse's lifetime.

(4) If there is no surviving spouse or dependent children, a surviving parent who was wholly dependent on the member is entitled to receive 50% of the member's monthly benefit during the parent's lifetime. If both surviving parents qualify as dependent, they jointly receive the benefit.

If a member did not have at least 20 years of service and was not age 52, the benefit is computed as if the member did have 20 years of service and was age 52.

DEATH IN LINE OF DUTY

<u>Before September 1, 1982</u>

When an active member died in the line of duty before September 1, 1982, the surviving spouse, dependent children, and dependent parents were entitled to the following benefits:

(1) Each surviving child of the member is entitled to receive a monthly benefit equal to 20% of the member's monthly benefit until the child:

(A) reaches age 18; or

(B) reaches age 23, if the child is enrolled in and regularly attending a secondary school or is a full-time student at an accredited college or university;

whichever period is longer.

(2) A surviving child who is at least 18, who is physically or mentally incapacitated, and who is not a ward of the state is entitled to receive a monthly benefit equal to the greater of:

(A) 30% of the monthly pay of a first class patrol officer or first class firefighter; or

(B) 55% of the monthly benefit the member was receiving or was entitled to receive on the date of the member's death;

during the period of the child's physical or mental incapacity.

(3) The member's surviving spouse is entitled to receive a monthly benefit equal to 60% of the member's monthly benefit during the spouse's lifetime.

(4) If there is no surviving spouse or dependent children, a surviving parent who was wholly dependent on the member is entitled to receive 50% of the member's monthly benefit during the parent's lifetime. If both surviving parents qualify as dependent, they jointly receive the benefit.

If a member did not have at least 20 years of service and was not age 52, the benefit is computed as if the member did have 20 years of service and was age 52.

<u>After August 31, 1982</u>

When an active member dies in the line of duty after August 31,1982, the surviving spouse, dependent children, and dependent parents are entitled to the following benefits:

(1) Each surviving child of the member is entitled to receive a monthly benefit equal to 20% of the member's monthly benefit until the child:

(A) reaches age 18; or

(B) reaches age 23, if the child is enrolled in and regularly attending a secondary school or is a full-time student at an accredited college or university;

whichever period is longer.

(2) A surviving child who is at least 18, who is physically or mentally incapacitated, and who is not a ward of the state is entitled to receive a monthly benefit equal to the greater of:

(A) 30% of the monthly pay of a first class patrol officer or first class firefighter; or

(B) 55% of the monthly benefit the member was receiving or was entitled to receive on the date of the member's death;

during the period of the child's physical or mental incapacity.

(3) The member's surviving spouse is entitled to receive a monthly benefit equal to the monthly benefit to which the member would have been entitled on the date of the member's death, but not less than the benefit payable to a member with 20 years of service at 52, during the spouse's lifetime.

(4) If there is no surviving spouse or dependent children, a surviving parent who was wholly dependent on the member is entitled to receive 50% of the member's monthly benefit during the parent's lifetime. If both surviving parents qualify as dependent, they jointly receive the benefit.

If a member did not have at least 20 years of service and was not age 52, the benefit is computed as if the member did have 20 years of service and was age 52.

SPECIAL DEATH BENEFIT

A lump sum death benefit of $9,000 is provided to the heirs or estate of a member.

In addition, if a member dies in the line of duty, a special death benefit of $150,000 is paid from the Pension Relief Fund.

SURVIVOR HEALTH INSURANCE

A local unit that employed a member who dies in the line of duty must, after December 31, 2003, offer to provide and pay for health insurance coverage for the member's surviving spouse and each natural child, stepchild, or adopted child of the member:

(1) until the child becomes 18 years of age;

(2) until the child becomes 23 years of age, if the child is enrolled in and regularly attending a secondary school or is a full-time student at an accredited college or university; or

(3) during the entire period of the child's physical or mental disability;

whichever period is the longest. If health insurance is offered by the unit to active members, the health insurance provided must be equal in coverage to that offered to active members. The offer must remain open for as long as there is a surviving spouse or child eligible for the coverage.

Postretirement Increases

A member is entitled to an annual increase in the member's benefit equal to the percentage increase in the Consumer Price Index. However, the maximum increase is 3%.

Funding

The 1977 Fund is actuarially funded. The amount necessary to cover the normal cost and the amortization of the unfunded accrued liability is appropriated annually by each municipality.

The employer cost has been set at 21% of covered payroll from 1977 to 2004.

1995-1999 INFORMATION FOR
1977 POLICE AND FIREFIGHTER PENSION FUND

	1995	1996	1997	1998	1999
Active Members	6,954	7,641	8,113	8,655	9,228
Benefit Recipients	167	208	241	273	1,544
Term. Vest Members	3	2	6	13	162
Total	7,124	7,851	8,360	8,941	10,934
Normal Cost	64,753,100	74,065,800	77,206,400	85,860,200	83,581,900
Active Accrued Liability	560,743,500	659,678,300	765,648,300	886,838,800	943,181,700
Benefit Recipient Accrued Liability	34,522,500	44,274,400	54,115,900	62,842,000	329,662,200
Term. Vested Accrued Liability	540,300	414,200	1,164,400	2,724,100	42,431,300
Total Accrued Liability	595,806,300	704,366,900	820,928,600	952,404,900	1,315,275,200
Assets	670,084,100	785,122,900	909,519,400	1,044,360,500	1,184,904,900
Unfunded Liability	(74,277,800)	(80,756,000)	(88,590,800)	(91,955,600)	130,370,300
Payout	1,730,700	2,204,500	2,728,900	3,199,300	23,811,600
Average Annual Benefit	10,363	10,599	11,323	11,719	15,422

2000-2004 INFORMATION FOR
1977 POLICE AND FIREFIGHTER PENSION FUND

	2000	2001	2002	2003	*2004
Active Members	9,729	10,388	10,179	10,737	11,300
Benefit Recipients	1,646	1,717	1,866	1,906	2,000
Term Vested Members	122	122	70	82	100
Total	11,497	12,227	12,115	12,725	13,400
Normal Cost	91,917,400	101,762,800	101,762,800	101,071,000	105,000,000
Active Accrued Liability	1,067,610,300	1,206,152,600	1,345,870,800	1,290,364,700	1,432,000,000
Benefit Recipient Accrued Liability	353,230,200	384,127,400	4,647,041,900	457,766,400	507,000,000
Term Vested Accrued Liability	30,613,300	30,014,000	15,841,300	18,714,700	13,000,000
Total Accrued Liability	1,451,453,800	1,620,294,000	1,808,754,000	1,766,845,800	1,952,000,000
Assets	1,338,554,400	1,491,030,100	1,615,245,000	1,660,445,400	1,851,000,000
Unfunded Liability	112,899,400	129,263,900	193,509,000	106,400,400	101,000,000
Payout	25,710,500	27,729,300	31,587,300	34,088,400	37,000,000
Average Annual Benefit	15,620	16,150	16,928	17,885	18,500

*The funding figures for 2004 have been estimated since the 2004 valuation was not completed at the time of publication.

IC 36-8-10-12

The state has not established a retirement system for county sheriffs and employees of a sheriff's department. However, each county has the option of establishing a separate sheriff's pension trust. State law regulates the maximum benefits for a participant and the maximum contribution that may be made by a participant.

Rather than establishing a sheriffs pension trust, a county may choose either to have its sheriff’s department participate in PERF or to provide no retirement benefits.

If a county has established a Sheriff’s Pension Trust, the fee collected by the county sheriff for service of process for a civil action filed outside Indiana shall be deposited in the Sheriff’s Pension Trust. I.C. 33-19-6-15.

Retirement Benefits

<u>For a county that has not adopted an ordinance establishing a maximum monthly pension:</u>

(1) For an employee who retired before January 1, 1985, the monthly pension amount after 20 years of service may not exceed by more than $20 one-half of the average monthly wage received during the highest paid five years before retirement.

(2) For an employee who retires after December 31, 1984, the county fiscal body may increase the maximum monthly pension by 2% of the average monthly wage for each year of service over 20 years with a maximum benefit of 74% of the average monthly wage plus $20).

The pension is proportionately reduced for service under 20 year.

<u>For a county that has adopted an ordinance establishing a maximum monthly pension,</u> the monthly pension of an employer who retires after June 30, 1997, may not exceed $20 plus the lesser of:

(1) one-half of the average monthly wage received during the highest paid three years before retirement; or

(2) one-half the monthly minimum salary of a full-time prosecuting attorney at the time the employee retires.

The county fiscal body may approve an increase in the maximum monthly pension of 1% of the average monthly wage (not to exceed the monthly minimum salary of a full-time prosecuting attorney at the time the employee retires) for each six months of service after 20 years not to exceed 74% of the average monthly wage plus $20.

The pension is proportionately reduced for service under 20 years.

Contribution Rate

The monthly deductions from an employee's wages may not exceed 6% of the employee's average monthly wages. However, the contribution rate for an employee of the Marion County Sheriff's Department may not exceed 7% of the employee's average monthly wages. A sheriff's department that establishes a pension trust must annually contribute an amount that will be sufficient to actuarially fund the trust. The contribution may be made by the department through a general appropriation to the department, by a line item appropriation directly to the pension trust, or a combination of general appropriation and line item appropriation.

Vesting

No vesting requirement is established by state law.

Return of Contribution

An employee who ceases to be an employee because of death, disability, unemployment, retirement, or other reason, is entitled to receive at least the net amount paid into the pension fund, either in a lump sum or in monthly installments not less than the participant's pension amount.

Retirement Age

Normal retirement may be earlier but not later than age 70.

Disability Benefits

Benefits payable for a disability resulting from activities in the line of duty must be in a reasonable amount. Disability benefits payable as a result of activities not in the line of duty may not exceed the amount of the pension benefits that the employee would have received if the employee had been employed until normal retirement age.

An employee who meets the conditions listed in IC 5-10-13 is entitled to a presumption that a total or partial disability or death resulting from a health condition caused by AIDS, anthrax, hepatitis, HIV, meningococcal meningitis, smallpox, or tuberculosis is a disability or death incurred in the line of duty. The presumption may be rebutted by competent evidence. A meeting or hearing held to rebut the presumption may be held as an executive session under IC 5-14-1.5-6.1(b)(1). The presumption affects only the determination as to whether a disability or death was incurred in the line of duty and does not change the requirements for determining eligibility for disability benefits.

Death Benefits

A sheriff's department may establish a death benefit plan for deceased employees. The department may provide these benefits by establishing a reserve account, obtaining group life insurance, or both. Benefits payable under a group life insurance policy must be in a reasonable amount. Benefits payable from a reserve account may not exceed $25,000.

In addition, IC 5-10-10-6 provides a $150,000 lump sum death benefit for a public safety officer who dies in the line of duty.

Survivor Benefits

A sheriff's department may establish a survivor benefit plan. The department may provide survivor benefits by establishing a reserve account or by obtaining appropriate insurance coverage, or both.

The surviving spouse or dependent parents of an employee who died before January 1, 1990, may receive a monthly pension of not more than $200 per month. A dependent child of the employee may receive a monthly pension of not more than $30 until the child is age 18.

The surviving spouse or dependent parents of an employee who died after December 31, 1989, are entitled to a monthly pension of not less than $200 per month. A dependent child of the employee is entitled to a monthly pension of not less than $30 until the child is age 18.

In order to be eligible for a benefit, the surviving spouse must be married to the employee at the time of the employee's retirement or death in service.

SURVIVOR HEALTH INSURANCE

A department that employed an eligible employee who dies in the line of duty (as defined at IC 5-10-10-2) must, after December 31, 2003, offer to provide and pay for health insurance coverage for the employee's surviving spouse and each natural child, stepchild, or adopted child of the employee:

> (1) until the child becomes 18 years of age;
> (2) until the child becomes 23 years of age, if the child is enrolled in and regularly attending a secondary school or is a full-time student at an accredited college or university; or
> (3) during the entire period of the child's physical or mental disability;

whichever period is the longest. If health insurance is offered by the department to an employee, the health insurance provided to a surviving spouse and child must be equal in coverage to that offered to an employee. The offer must remain open for as long as there is a surviving spouse or child eligible for the coverage.

Investment of the Trust Fund's Assets

The trustee of a sheriff's pension trust fund is required to invest the fund's assets under the prudent investor standard. Under this standard the trustee must invest its assets with the care, skill, prudence and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The trustee is also required to diversify investments in accordance with prudent investment standards.

Postretirement Increases

A county may provide by ordinance for an ad hoc payment or an annual cost-of-living adjustment for retired or disabled employees who are at least age 55.

An annual COLA must be based on the Consumer Price Index and may not exceed 3%.

An ad hoc payment may be a fixed dollar amount or calculated in the same manner as an annual COLA.

Sheriff's Funds Information

Of the 92 county sheriff's departments in Indiana, 89 have established a sheriff's pension trust plan, one department covers its employees under PERF, and two departments do not provide retirement benefits.

The following data are estimates for 87 of the 89 counties that have established sheriff's pension trusts. The estimates are based on data from a sampling of Indiana counties.

2003

No. of Active Members	2,354
No. of Retired Members	781
Normal Cost	$14,550,507
Accrued Liability	$415,198,802
Actuarial Value of Assets*	$372,150,818
Unfunded Accrued Liability	$43,047,984
Payout	$12,038,655

*For almost all 87 plans, the asset valuation method used for the development of county contributions is a smoothed basis. Under this method, all realized and unrealized capital gains and losses are recognized over a four-year period The total market value of assets for 2003 was $324,154,652.

GOVERNOR AND SURVIVING SPOUSE PENSION

IC 4-3-3
ACCT. NO. 1000-100530

The Governor and Surviving Spouse Pension was established to provide an annual retirement benefit for the governor and an annual pension for the surviving spouse of a governor. These benefits are administered by the State Auditor and the State Treasurer.

Retirement Benefits

Annual benefits depend on the number of terms served and age at retirement.

<u>One term:</u>

At least age 62, but less than age 65:
(1) the retirement benefits to which the governor is entitled, if any, from PERF; or
(2) 30% of the governor's annual salary established by IC 4-2-1-1 for life.

At least age 65:
(1) the retirement benefits to which the governor is entitled, if any, from PERF; or
(2) 40% of the governor's annual salary established by IC 4-2-1-1 for life.

<u>Two terms:</u>

At least age 62, but less than age 65:
(1) the retirement benefits to which the governor is entitled, if any, from PERF; or
(2) 40% of the governor's annual salary established by IC 4-2-1-1 for life.

At least age 65:
(1) the retirement benefits to which the governor is entitled, if any, from PERF; or

(2) 50% of the governor's annual salary established by IC 4-2-1-1 for life.

The governor chooses the initial benefit payment date and the benefit payment amount. After the governor receives the first benefit payment, the choice of date and amount are irrevocable.

Vesting

Vested after serving part of one term. An individual who succeeds to the governor's office without being elected is not entitled to an annual benefit unless the person serves more than one year of the term of the office.

Contribution

No contributions are made by the governor.

Survivor Benefits

For the surviving spouse of a governor who dies before July 1, 1998, the greater of:

(1) the annual benefit received by the surviving spouse during the year beginning July 1, 1998; or

(2) $10,000.

For the surviving spouse of a governor who dies after June 30, 1998, the greater of:

(1) 50% of the annual benefit the governor was receiving or was entitled to receive on the date of the governor's death; or

(2) $10,000.

The surviving spouse must elect the benefit to be received, and once any payment is made, the election is irrevocable.

The surviving spouse is entitled to receive the pension benefit for life or until the spouse remarries.

The pension benefit is in addition to any other retirement benefits the surviving spouse is entitled to receive.

Disability Benefits

Disability benefits are not provided for the governor or the governor's surviving spouse.

Retirement Age

Earliest age of retirement is age 62.

A governor may not receive a benefit as long as the governor holds an elective position with any federal, state, or local governmental unit.

Postretirement Increases

Ad hoc increases may be provided by the General Assembly.

Governors' Fund Information

As of June 30, 2004, two governors and two widows are receiving annual benefits totaling $91,931. These benefits are funded on a pay-as-you-go method from the state General Fund.

PROSECUTING ATTORNEYS RETIREMENT FUND

IC 33-39
ACCT. NO. 6520-107500

The Prosecuting Attorneys' Retirement Fund (Fund) was established during the 1989 Session of the General Assembly. The Fund provides retirement, disability, and survivor's benefits for individuals who: (1) serve as a prosecuting attorney or a chief deputy prosecuting attorney after December 31, 1989; or (2) serve as the executive director or assistant executive director of the Indiana Prosecuting Attorneys Council or as a state-paid deputy prosecuting attorney after June 30, 1995. The Fund is administered by the PERF Board.

Each participant in the Fund is required to contribute 6% of salary received for services after December 31, 1989. The state may pay the contributions for a participant.

Confidentiality of Fund Records

Fund records of individual participants and participants' information are confidential, except for the name and years of service of a participant.

Retirement Benefits

A participant is entitled to a retirement benefit if the participant: (1) is at least age 62; (2) has at least ten years of service credit; and (3) is not receiving any salary for services currently performed.

The retirement benefit of a participant who is at least age 65 is calculated by multiplying: (1) the highest annual salary paid to the participant before the participant's separation from service; by (2) the percentage prescribed in the following table:

Participant's Years of Service	Percentage of Salary
Less than 10	0%
10	30%
11	33%
12	50%
13	51%
14	52%
15	53%
16	54%
17	55%
18	56%
19	57%
20	58%
21	59%
22 or more	60%

If a participant is not at least age 65, the participant is entitled to a reduced benefit equal to:

(1) the amount that the participant would have been entitled to if the participant was age 65; reduced by

(2) 0.25% for each month that the participant's age at retirement precedes the participant's 65th birthday.

In addition, for a participant who is also a member of PERF, a participant's retirement benefits are reduced by the amount of the employer-financed pension benefit that would be payable to the participant had the participant retired from PERF on the date of the participant's retirement from the Fund. However, the benefits payable to a participant from the Fund are not reduced by any payments made to the participant from the participant's PERF annuity savings account.

If benefits payable from PERF exceed the benefits payable from the Fund, the participant may, at retirement, withdraw from the Fund the total sum contributed plus interest at a rate of 5.5% compounded annually.

Vesting

A participant vests after ten years of service.

Retirement Age

The normal retirement age is age 65 with at least ten years of creditable service.

Early Retirement

A participant may retire at age 62 with ten years of service. The participant's benefits will be reduced at the rate of 0.25% per month for each month the participant retires prior to age 65.

Return of Contributions

A participant who ceases service as a prosecuting attorney or chief deputy prosecuting attorney (other than by death or disability) and who is not eligible for a retirement benefit is entitled to withdraw the total sum of the participant's contributions to the fund plus interest at the rate of 5.5% compounded annually.

Survivor Benefits

The surviving spouse of a participant is entitled to a benefit if,on the date of the participant's death, the participant:

(1) was receiving benefits;

(2) had completed at least ten years of service and was in service as a prosecuting attorney or chief deputy prosecuting attorney; or

(3) had met the requirements for disability benefits in the Fund.

Regardless of the participant's age at death, the surviving spouse's benefit is equal to the greater of:

(1) $7,000; or

(2) 50% of the amount of retirement benefit the participant was drawing at the time of death, or to which the participant would have been entitled had the participant retired and begun receiving retirement benefits on the date of death;

reduced, if necessary, because the participant was not yet 65 or by the amounts, if any, payable to the surviving spouse from PERF as a result of the participant's death.

In addition, if the participant's spouse does not survive the participant, the dependent children of the participant are entitled to share equally the same benefit provided to the spouse. A dependent child is entitled to the benefit until the child becomes age 18 or during the entire period of the child's physical or mental disability, whichever is longer. Benefits payable to a dependent child are reduced by any amounts payable to the child from PERF.

If no benefits are payable to the survivors of a participant, the survivors or the participant's estate may file an application to withdraw the total sum of the participant's contributions plus interest at the rate of 5.5% compounded annually, minus any payments made to the participant.

Disability Benefits

A participant is entitled to a disability benefit if the participant: (1) has at least five years of service; (2) has qualified for Social Security disability benefits; and (3) annually verifies the continued disability until age 65.

The disability benefit is equal to: (1) the annual salary paid by the state at the time of separation from service; multiplied by (2) the percentage set forth in the following table:

Participant's Years of Service	Percent of Salary
Less than 5	0%
5-10	40%
11	41%
12	42%
13	43%
14	44%
15	45%
16	46%
17	47%
18	48%
19	49%
20 or more	50%

These benefits are reduced by any benefits payable to the participant from PERF.

Effect of Other Laws

A participant on a leave under the federal Family and Medical Leave Act is entitled to credit for vesting and eligibility purposes to the extent required by that Act, but is not entitled to receive credit for service for benefit purposes.

A participant is entitled to service credit and benefits in the amount and to the extent required by the Uniformed Services Employment and Reemployment Rights Act.

Postretirement Increases

Ad hoc cost-of-living increases may be provided by the General Assembly.

Funding

The amount necessary to actuarially fund the Fund is appropriated from the state General Fund.

1995-1999 INFORMATION FOR
PROSECUTING ATTORNEYS RETIREMENT FUND

	Est. 1995	1996	1997	1998	1999
Eligible Active Members	181	182	192	181	202
Benefit Recipients	9	12	13	14	16
Term. Members with Service	84	87	87	107	144
Total	274	281	292	302	362
Normal Cost	560,000	617,625	653,436	659,823	670,027
Actuarial Accrued Liability	7,800,000	9,163,392	9,504,415	11,356,293	13,711,865
Valuation Assets	4,200,000	4,874,120	5,969,933	7,143,592	8,322,444
Unfunded Actuarial Liability	3,600,000	4,289,272	3,534,482	4,212,701	5,389,421
Payout	91,000	130,886	149,719	168,587	200,639
Average Annual Benefit	10,111	10,907	11,517	12,042	12,540

2000-2004 INFORMATION FOR PROSECUTING ATTORNEYS RETIREMENT FUND

	2000	2001	2002	2003	*2004
Eligible Active Members	240	211	205	218	222
Benefit Recipients	17	19	18	17	19
Term. Members with Service	111	178	194	217	240
Total	368	408	417	452	481
Normal Cost	757,275	876,327	1,006,391	650,924	710,000
Actuarial Accrued Liability	13,942,524	20,417,483	22,385,803	15,685,300	17,200,000
Valuation Assets	9,780,842	11,072,680	11,957,364	12,757,858	14,300,000
Unfunded Actuarial Liability	4,161,682	9,344,803	10,428,439	2,927,442	2,900,000
Payout	220,162	236,145	216,168	225,522	270,000
Average Annual Benefit	12,951	12,429	12,009	13,266	14,211

*The funding figures for 2004 have been estimated since the 2004 valuation was not completed at the time of publication.

LEGISLATORS' RETIREMENT SYSTEM

IC 2-3.5; IC 5-10.2
ACCT. NO. 6520-107600

The Legislators' Retirement System was established by the General Assembly in 1989 to provide retirement, disability, and survivor benefits to members of the Indiana General Assembly. The retirement system is administered by the PERF Board. The retirement system consists of two separate plans: a defined benefit plan and a defined contribution plan.

The defined benefit plan applies to those members of the General Assembly who were serving on April 30, 1989, and who filed an election to be covered by the Legislators' Retirement System.

The total monthly benefit for a participant making such an election is equal to the sum of the monthly amount payable under the defined benefit plan plus the monthly amount payable under the defined contribution plan.

The defined contribution plan applies to:

> (1) members of the General Assembly who were serving on April 30, 1989, and who filed an election to be members of the Legislators' Retirement System;
>
> (2) members of the General Assembly who are first elected or appointed after April 30, 1989; and
>
> (3) members of the General Assembly who: (a) served before April 30, 1989; (b) were not serving on April 30, 1989; and (c) are subsequently re-elected or reappointed to the General Assembly.

Confidentiality of Retirement System Records

Legislators' Retirement System records of individual participants and participants' information are confidential, except for the name and years of service of a participant.

Retirement Benefits

Defined Benefit

The monthly pension payable under the defined benefit plan is equal to the lesser of:

(1) $40 multiplied by the number of years of service in the General Assembly completed before November 8, 1989; or

(2) the highest consecutive three-year average annual salary attributable to the participant's service as a legislator (as reported on the participant's W-2 federal income tax withholding statement), divided by 12.

Retirement benefits may not be paid to a participant if the participant is receiving or is entitled to receive a salary from the state.

Defined Contribution

The defined contribution plan requires a participant to contribute an amount equal to 5% of the participant's salary. The state is required to contribute an amount equal to 20% of the participant's salary. For purposes of the defined contribution plan, a participant's salary includes any per diem and subsistence allowance treated as compensation for federal income tax purposes. A participant in the defined contribution plan who terminates service as a legislator is entitled to withdraw both the participant's employee contributions and the participant's employer contributions.

The PERF Board is required to establish alternative investment programs for the defined contribution plan. The PERF Board must maintain at least one alternative investment program that is an indexed stock fund and one alternative investment program that is a bond fund. All administrative costs of each alternative program must be paid from the earnings of that program.

A valuation of each participant's account must be completed as of the last day of each quarter. Participants direct the allocation of the amount credited to the participant among the available alternative investment funds, subject to the following conditions:

(1) A participant may make a selection or change an existing selection under rules established by the PERF Board; however, the PERF board must allow a participant to make a selection or change any existing selection at least once each quarter.

(2) The PERF Board implements the participant's selection beginning the first day of the next calendar quarter that begins at least 30 days after the selection is received.

(3) A participant may select any combination of the available investment funds, in 10% increments.

(4) A participant's selection remains in effect until a new selection is made.

(5) If a participant does not make an investment selection of the alternative investment programs, the participant's account is invested in the PERF board's general investment fund.

(6) All contributions to a participant's account shall be allocated as of the last day of the quarter in which the contributions are received, in accordance with the participant's most recent effective direction.

When a participant transfers the amount credited to the participant from one alternative investment program to another alternative investment program, the amount credited to the participant is valued at the market value of the participant's investment, as of the day before the effective date of the participant's selection.

The defined contribution plan may accept, on an active participant's behalf, a rollover distribution from any of the following:

(1) A qualified plan described in Section 401(a) or Section 403(a) of the Internal Revenue Code.

(2) An annuity contract or account described in Section 403(b) of the Internal Revenue Code.

(3) An eligible plan that is maintained by a state, a political subdivision, or an agency or instrumentality of a state or political subdivision under Section 457(b) of the Internal Revenue Code.

(4) An individual retirement account or annuity described in Section 408(a) or Section 408(b) of the Internal Revenue Code.

Any amounts rolled over must be placed in a "rollover account" separate from the participant's account. A participant may direct the investment of the participant's rollover account into any alternative investment program established by the PERF board for the defined contribution plan.

When a participant retires, becomes disabled, dies, or withdraws from the fund, the amount credited to the participant is the market value of the participant's investment as of the last day of the quarter preceding the participant's distribution or annuitization at retirement, disability, death, or withdrawal, plus contributions received after that date.

A participant in the defined contribution plan who terminates service as a legislator is entitled to withdraw both the participant's employee contributions and the employer's contributions. A participant may withdraw the participant's rollover account from the plan in a lump sum at any time before retirement. Withdrawal is required not later than the required beginning date under the Internal Revenue Code. The amount available for withdrawal by the participant is equal to the fair market value of the participant's accounts on the last day of the quarter preceding the withdrawal plus employee contributions deducted and employer contributions made since the last day of the quarter preceding withdrawal.

Participants in the defined contribution fund have the option of taking the total account accumulation in a lump sum, a partial lump sum, a monthly annuity purchased by the PERF Board with the remaining amount, or a series of monthly installment payments over 60, 120, or 180 months, as elected by the participant. The PERF board is required to give participants information on these forms of payment and the effects of various dates of withdrawal.

In accordance with rules adopted by the PERF board, the plan may make loans to a participant from the participant's employee and employer contribution accounts. The loan is not considered the receipt of retirement benefits for the purposes of IC 5-10-8 (group insurance for public employees).

Beginning January 1, 2004, the PERF Board will conduct a pilot program involving the defined contribution plan. The program must include the following elements:

(1) The PERF Board is required to implement a participant's investment selection not later than the next business day following the PERF Board's receipt of the participant's selection.
(2) All contributions to a participant's account must be allocated to the account not later than the last day of the quarter in which the contributions are received and reconciled in accordance with the participant's most recent effective direction.
(3) When a participant retires, becomes disabled, dies, or withdraws from the plan, the amount credited to the participant is the market value of the participant's investment as of five business days preceding the member's distribution or annuitization, plus contributions received after that date.
(4) Contributions to the plan must be credited to the plan not later than the last day of the quarter in which the contributions were deducted.
(5) The state must make contributions to the plan not later than the last day of each quarter. The contributions must equal 20% of the annual salary received by each participant during that quarter.

Before November 1, 2005, the PERF Board is required to report to the Pension Management Oversight Commission the results of the pilot program and to recommend proposed legislation if the report includes a finding that the pilot program should be implemented on a permanent basis. If the PERF Board recommends implementing the pilot program on a permanent basis, the PERF Board must provide the Pension Management Oversight Commission with a schedule for implementing the elements of the pilot program on a permanent basis for all funds for which the PERF Board has responsibility.

Retirement Age

<u>Defined Benefit Plan</u>

A participant is eligible for normal retirement benefits if the member is at least age 65 and has at least 10 years of service.

A participant is also entitled to normal retirement benefits if:

(1) the participant's service as a member of the General Assembly is terminated;
(2) the participant has at least 10 years of service in the General Assembly;
(3) the participant is not receiving and is not entitled to receive a salary from the state; and
(4) the participant:
    (A) is at least age 55, and the participant's years of service in the General Assembly plus years of age equal at least 85; or
    (B) is at least age 60 and has at least 15 years of service in the General Assembly.

Defined Contribution Plan

A participant :
(1) may withdraw the entire amount in the participant's account when the participant terminates service as a legislator; and
(2) must begin withdrawals not later than the required withdrawal date under the Internal Revenue Code.

At retirement, a participant may withdraw the participant's rollover account in accordance with the retirement options that are available to the participant's account.

Early Retirement

A participant in the defined benefit plan may retire at age 55 with a reduced retirement benefit. The reduction in the benefit is equal to:

(1) 0.1% per month between ages 60 and 65; and
(2) 5/12% per month between ages 55 and 60.

Retirement benefits may not be paid to a participant if the participant is receiving or is entitled to receive a salary from the state.

Vesting

Defined Benefit Plan

Participants in the defined benefit plan vest after ten years of service in the General Assembly.

Defined Contribution Plan

A participant is immediately vested in the defined contribution plan.

Disability Benefits Under the Defined Benefit Plan

The defined benefit plan provides that a participant is entitled to disability benefits if the participant:

(1) is disabled while in active service in the General Assembly;

(2) has at least five years of service as a legislator;

(3) has qualified for Social Security disability benefits; and

(4) verifies the continuing disability annually until reaching age 65.

Benefits are not provided for a disability:
(1) resulting from an intentionally self-inflicted injury or attempted suicide; or
(2) resulting from participant's commission or attempted commission of a felony.

The amount of the disability benefit is equal to the participant's normal retirement benefit.

Survivor Benefits

Defined Benefit Plan

The defined benefit plan provides a survivor benefit to the surviving spouse of a participant who on the date of death:

(1) was receiving retirement benefits under the plan;

(2) had completed at least ten years of service as a legislator; or

(3) was permanently disabled and was receiving disability benefits.

The surviving spouse is entitled to a survivor benefit for life equal to 50% of the amount of retirement benefit that:

(1) the participant was receiving at the time of death; or

(2) the participant would have been entitled to receive at the later of:

(A) age 55; or

(B) participant's date of death.

If a participant's spouse would have been entitled to a survivor benefit, but the spouse does not survive the participant, a dependent child of the deceased participant is entitled to the survivor benefit. If a surviving spouse dies while receiving survivor benefits, a dependent child of the deceased participant and the surviving spouse is entitled to the survivor benefit. If there is more than one surviving dependent child that qualifies for the benefit, the surviving dependent children are entitled to share the benefit equally. Each dependent child receiving a survivor benefit is entitled to receive the survivor benefit until the child:

(1) reaches age 18; or

(2) during the entire period of the child's physical or mental disability (using Social Security Administration guidelines);

whichever is longer.

Defined Contribution Plan

If a participant dies:

(1) while a member of the General Assembly; or

(2) after terminating service as a member of the General Assembly and before withdrawing the participant's account from the plan;

the entire amount in the participant's employee and employer contribution accounts and the participant's rollover account, if any, are paid to the beneficiary or beneficiaries designated by the participant.

If there is no properly designated beneficiary or no beneficiary survives the participant, the participant's accounts are paid to:

(1) the surviving spouse;

(2) if there is no surviving spouse, the surviving dependents; or

(3) if there is no surviving spouse or surviving dependent, the participant's estate.

Postretirement Increases

After June 30, 1992, the monthly benefit payable to participants, survivors, and beneficiaries under the defined benefit plan is increased by the same percentages and under the same conditions as monthly benefits are increased for members of PERF and their survivors and beneficiaries.

Funding

The General Assembly is required to make appropriations in the amounts necessary to actuarially fund the benefits provided under the retirement system. The appropriations are made from the state General Fund.

1995-1999 INFORMATION FOR LEGISLATORS' DEFINED BENEFIT PLAN

	1995	1996	1997	1998	1999
Eligible Active Members	83	79	76	64	60
Benefit Recipients	21	24	27	29	34
Term. Vested Members	17	17	16	26	25
Total	121	120	119	119	119
Normal Cost	0	0	0	0	0
Amortization of Unfunded Actuarial Liability	169,483	148,731	130,551	111,647	97,559
Provision for Expenses	24,358	27,506	33,665	89,433	82,574
Interest Adjustment for Mid-Year Payment	6,784	6,168	5,953	7,289	6,530
Total Cost	200,625	182,405	170,169	208,369	186,663
Actuarial Accrued Liability	5,386,680	5,429,707	5,429,351	5,385,180	5,473,187
Valuation Assets	3,212,928	3,547,725	3,833,760	4,041,451	4,318,514
Unfunded Actuarial Liability	2,173,752	1,881,982	1,595,591	1,343,729	1,154,673
Payout	131,181	158,519	182,049	193,346	225,396
Average Annual Benefit	6,247	6,605	6,743	6,667	6,629

2000-2004 INFORMATION FOR LEGISLATORS' DEFINED BENEFIT PLAN

	2000	2001	2002	2003	*2004
Eligible Active Members	60	58	58	55	52
Benefit Recipients	32	35	34	39	41
Term. Vested Members	27	24	24	22	23
Total	119	117	116	116	116
Normal Cost	0	0	0	0	0
Amortization of Unfunded Actuarial Liability	77,132	73,972	92,776	68,768	68,800
Provision for Expenses	94,216	124,378	132,784	23,282	23,300
Interest Adjustment for Mid-Year Payment	6,211	7,190	8,177	3,337	3,300
Total Cost	177,559	205,540	233,737	95,387	95,400
Actuarial Accrued Liability	5,453,247	5,508,146	5,503,049	4,947,897	4,961,000
Valuation Assets	4,556,877	4,665,517	4,446,211	4,199,696	4,232,000
Unfunded Actuarial Liability	896,370	842,629	1,056,838	748,201	729,000
Payout	211,298	237,271	231,956	245,748	272,000
Average Annual Benefit	6,603	6,779	6,822	6,301	6,634

*The funding figures for 2004 have been estimated since the 2004 valuation was not completed at the time of publication.

POLICE OFFICERS' AND FIREFIGHTERS' PENSIONS AND THE PENSION RELIEF FUND

Background

A. *Old Pension Plans*

Before 1977, municipalities were required to provide pension systems for police officers and firefighters (the 1925 Fund, the 1937 Fund, and the 1953 Fund, collectively, the Old Plans), but were not permitted to pre-fund these plans. Under the Old Plans, members were entitled to full retirement with 50% of pay after completing 20 years of service. In addition, pensions were adjusted upward each year in accordance with any increase in the pay of a first class police officer or first class firefighter for the particular municipality.

The Old Plans were funded on a pay-as-you-go basis, in which money was appropriated in amounts sufficient only to pay current pension benefits. Member contributions were also used to pay current pension benefits and were not refundable to the employees.

B. *Converted Pension Plan*

In order to relieve the financial burdens placed on municipalities because of the Old Plans, the Indiana General Assembly enacted legislation in 1977 giving all police officers and firefighters who were hired before May 1, 1977, a one-time opportunity, from February 1, 1980, through December 31, 1980, to convert their benefits from an Old Plan to a new pension plan (the 1977 Fund) in exchange for a single payment of $10,000. Police officers and firefighters who did not convert their benefits to the 1977 Fund continued to be members of the Old Plans.

Police officers and firefighters who converted to the 1977 Fund receive benefits provided under the 1977 Fund based on the eligibility requirements of the 1977 Fund rather than the benefits and eligibility requirements of the Old Plans; however, the benefits for the converted members continue to be funded by municipalities on a pay-as-you-go basis, just as the benefits paid by the Old Plans are.

On October 1, 1998, the General Assembly shifted from municipalities to the 1977 Fund the responsibility for paying the benefits for converted members who were retired or disabled before July 1,1998. Municipalities continue to be responsible for the benefits of converted members who were not retired or disabled before July 1, 1998.

C. *New Pension Plan*

The new pension plan, the 1977 Fund, covers all police officers and firefighters hired after April 30, 1977. This plan is funded, through PERF, on an advance actuarial basis through a contribution of 21% of payroll by municipalities plus 6% mandatory contributions by the Fund members.

Police officers and firefighters who were hired after April 30, 1977, and who are covered under the new plan administered by PERF have a different benefit structure from the Old Plans. Under the 1977 Fund, benefits become payable at age 52 rather than after 20 years of service, and the benefits are subject to a cost of living increase not exceeding 3% per year (rather than being tied to the current salary of a first class police officer or first class firefighter). In addition, the increase is limited to those periods during which benefits are actually in payment status.

Pension Relief Fund

The combination of continuing to pay for the current benefits of Old Plan members and Converted Plan members while simultaneously funding benefits in advance for 1977 Fund members created a considerable additional burden for the cities and towns. In 1977, the Pension Relief Fund (IC 5-10.3-11) was established to help the cities and towns with the financial burdens associated with the police and fire retirement systems.

A. *Fund Revenue*

The major sources of revenue for the Pension Relief Fund consist of a dedicated portion of cigarette and liquor taxes, investment income on invested funds, and (since 1990) lottery revenue.

Cigarette and liquor taxes have furnished income of between $30 and $40 million each year, while investment income provides $15 to $20 million per year (at the assumed rate of six percent per year).

Lottery revenues deposited in the Pension Relief Fund have totaled $244,732,833 since 1990.

B. *Fund Distributions*

The major expenditures from the Pension Relief Fund have been: (1) pension relief; (2) the payment of $10,000 to each police officer and firefighter who elected to convert to the benefit structure of the 1977 Fund; and (3) the payment of a special death benefit (currently $150,000) to the survivors of police officers and firefighters who die in the line of duty.

1. "K" Portion Distribution

Pension Relief Fund distributions for pension relief are determined using a complicated formula that was developed to calculate the amount of relief to be distributed to municipalities each year. The formula uses a factor called "K". The "K" factor is the amount by which the total old plan and converted plan benefits are allowed to increase each year.

For example, if "K" were calculated to be .05, that would indicate that the portion of old plan and converted plan pension payments to be paid by the cities and towns would increase by 5% each year. The Pension Relief Fund would distribute an amount that would pay for any pensions in excess of the 5% increase.

The concept behind the "K" distribution is to build a relief fund that will last until increases in the total pension outlays under the old plan and the converted plan have peaked, and to have the pension relief fund distribute its last dollar just as the outlays peak. As of June 30, 2004, the "K" portion of the Pension Relief Fund has accumulated assets of $92,397,340.

2. "M" Portion Distribution

In 1981 the General Assembly provided for a new distribution formula designed to supplement the "K" distribution formula. The supplemental distribution formula is based upon the "M" factor. The idea behind the "M" factor was to take into account not only the increases in pension outlays due to increases in old plan and converted plan benefits, but also to take into account increases in outlays due to funding 21% of payroll for new plan members.

In 1996, the provisions concerning the "M" formula were amended to provide that a unit is eligible for a distribution from the "M" portion of the Pension Relief Fund only if the amount of the unit's pension payments in the preceding year, after subtracting the amount received by the unit from the "K" portion of the Fund, exceeds 10% of the unit's maximum permissible property tax levy for the preceding year.

The source of the money for distribution under the "M" formula is certain money contained in the Pension Relief Fund. In addition, in 1996, the General Assembly appropriated $50,000,000 to the "M" portion of the Pension Relief Fund from the State General Fund. Also, excess earnings from the "K" portion of the Fund are allocated to the "M" portion of the Fund. These excess earnings are not available for distribution under the "K" formula.

3. Surviving Spouse Distribution

In 1988, an additional distribution from the Pension Relief Fund was authorized to assist municipalities in paying monthly benefits to the surviving spouses of members of the Old Plans. The distribution is the amount by which the surviving spouse's benefit exceeds 30% of the salary of a first class police officer or a first class firefighter for surviving spouses of members of the Old Plans who died after December 31, 1988.

4. 2001 Changes to the Distributions

In 2001, the General Assembly made additional changes to the Pension Relief Fund distribution mechanism.

First, the basis for calculating a municipality's distribution from the Pension Relief Fund in a particular year was changed so that a municipality receives a distribution based on an estimate of its pension liabilities in the following calendar year rather than the total pension payments the municipality actually made in the preceding year. In 2001, municipalities received Pension Relief Fund distributions under both the old and new law. The distributions paid under the new law are placed in separate accounts set up for each municipality by PERF and can not be distributed until the municipality spends from its local sources each year from 2001 through 2007 at least the same amount that it spent in 1998 for total pension payments.

Second, for 2001 through 2007, the Pension Relief Fund will pay an additional distribution in an amount necessary to ensure that at least 50% of each municipality's pension liability is paid from the Pension Relief Fund. However, this Pension Relief Fund distribution is reduced, as necessary, because of the municipalities' local spending requirement described above.

Third, the surviving spouse distribution described above is also subject to reduction for 2001 through 2007 because of the municipalities' local spending requirement described above.

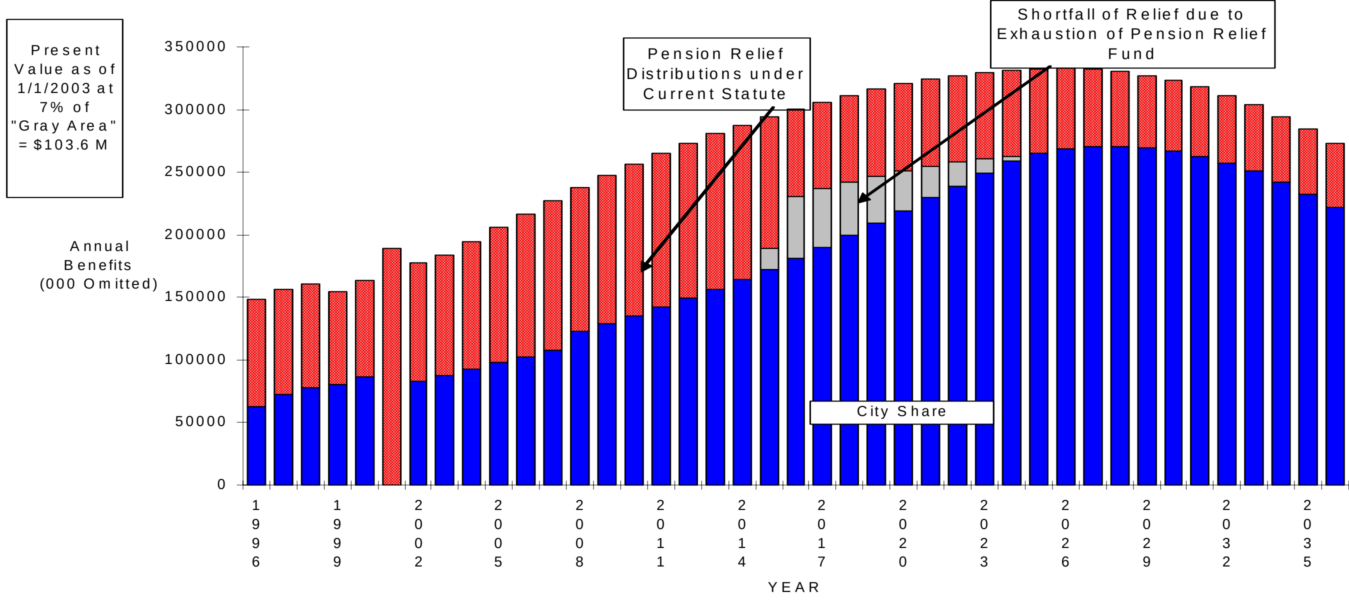
Finally, the Pension Relief Fund made a one-time distribution in 2001 sufficient to ensure that the Pension Relief Fund has paid at least 50% of each municipality's pension liability for1998 through 2000.

C. *Fund Balances*

As of June 30, 2004, the fund balances were as follows:

Total Pension Relief Fund (lower of book value or market value)	$393,571,572
Less: Amount held for "M"	$282,032,982
Equals amount available for distribution under "K"	$92,397,340
Local Units	$20,141,250 (Held for local units to invest)

The following exhibit graphically shows the status of the Pension Relief Fund after changes in 2001.



Present Value as of 1/1/2003 at 7% of "Gray Area" = $103.6 M
Annual Benefits (000 Omitted)
350000
300000
250000
200000
150000
100000
50000
0
Pension Relief Distributions under Current Statute
Shortfall of Relief due to Exhaustion of Pension Relief Fund
City Share
1996
1999
2002
2005
2008
2011
2014
2017
2020
2023
2026
2029
2032
2035
YEAR

Pension Distribution Fund

In 1937 the Public Deposit Insurance Fund (PDIF) was created to insure the deposits of public monies in Indiana's banks, much the same way the Federal Deposit Insurance Company (FDIC) insures depositors' monies. The Board of Public Depositories manages the PDIF to insure the safekeeping and prompt payment of all public funds deposited in any approved depository.

The PDIF is funded by assessments payable by every depository that has public funds, although the Board may waive assessments if, in its discretion, it determines that the assets of the PDIF are equal to the reserve for losses. At the present time, the Board has waived the assessments.

In 2001, the General Assembly established the Pension Distribution Fund administered by the State Treasurer. Each year from 2001 through 2011, interest on the PDIF (after certain deductions for operating expenses) will be transferred to the Pension Distribution Fund and distributed to municipalities to help them meet their benefit payment obligations under the Old Plans. The payments from the Pension Distribution Fund are distributed in proportion to the payments made by each municipality for benefits under the Old Plans and are made in the second year following the year in which the benefits were paid. Distributions are prohibited if the distributions would reduce the balance of the PDIF to a level that is not sufficient to ensure the safekeeping and prompt payment of public funds.

Conclusion

The Pension Relief Fund and Pension Distribution Fund have provided almost $1.4 billion of relief from 1978 to 2002, to cities and towns with respect to pension payments to members hired before May 1, 1977. While municipalities have been receiving relief, they have been required to pay for both: (1) the required pension outlays under the old plan and the converted plan; and (2) 21% of payroll for the 1977 Fund members. The combination of these factors has imposed greater "up-front" financial pressure on the cities and towns than if the new plan had never been established.

If the 1977 pension legislation had not been passed, police officers and firefighters would have continued to retire with 50% of pay after 20 years of service and their pension benefits would have continued to be indexed to the salary of a first class police officer and a first class firefighter.

Benefits under this approach were escalating to a level and at a pace that would have caused severe difficulties to the cities and towns and, for some, would have exceeded their capacity to fund the benefits.

(Special thanks to Mr. Doug Todd of McCready and Keene, Inc., for his assistance with this section.)

FUNDING OBJECTIVES AND THE ACTUARIAL VALUATION PROCESS

Funding Objective

A sound funding objective for any public retirement plan is to establish and receive contributions, expressed as percentages of active member payroll, which will remain approximately level from year to year and will not have to be increased for future generations of taxpayers. Translated into actuarial terminology, a level percent of payroll contribution objective means that the contribution rate must be at least:

> Normal Cost (the current value of benefits likely to be paid on account of member's service being rendered in the current year)
>
> plus
>
> Interest on the Unfunded Actuarial Accrued Liability (the difference between the actuarial accrued liability and current plan assets).

An inevitable by-product of the level-contribution objective, if followed, is the accumulation of reserve assets and the income produced when those assets are invested. Investment income becomes in effect the third contributor for benefits to members, and is directly related to the contribution amounts required from members and employers. By following the funding objective, the employer contribution rate would remain approximately level from generation to generation. However, if contributions are deferred to future taxpayers, the contribution rate will grow over the long-term as the number of retired lives and the level of allowances paid increases.

The Actuarial Valuation Process

The financing diagram shows the relationship between the two fundamentally different philosophies of paying for retirement benefits: the method where contributions match or barely exceed cash benefit payments, which is an increasing contribution method; and the level contribution method, which equalizes contributions between the generations.

The actuarial valuation is the mathematical process by which the level contribution rate is determined. The flow of activity constituting the valuation may be summarized as follows:

A. Covered Person Data, furnished by the plan administrator

   Retired lives now receiving benefits

   Former employees with vested benefits not yet payable

   Active employees

B. + Asset Data (cash and investments), furnished by a plan administrator

C. + Estimates of future experience (actuarial assumptions), which are established by a fund's board of trustees after consulting with the fund's actuary

D. + Funding method for employer contributions (the long-term planned pattern for employer contributions)

E. + Mathematically combining the assumptions, the funding method, and the data

F. + Determination of plan financial position and/or new employer contribution rate

CASH BENEFITS LINE. This relentlessly increasing line is the fundamental reality of retirement plan financing. It happens each time a new benefit is added for future retirements (and happens regardless of the design for contributing for benefits).

LEVEL CONTRIBUTION LINE. Determining the level contribution line requires detailed assumptions concerning a variety of experiences in future decades, including:

- Economic Risk Areas
  - Rates of investment return
  - Rates of pay increase
  - Changes in active member group size
- Non-Economic Risk Areas
  - Ages at actual retirement
  - Rates of mortality
  - Rates of withdrawal of active members (turnover)
  - Rates of disability

Determination of the Employer Contribution Rate

PERF is a pre-funded plan and has been used here as an example of how an employer contribution rate is determined.

NOTE TO THE READER. NOT ALL PENSION PLANS DISCUSSED IN THIS PUBLICATION ARE PRE-FUNDED PLANS. THOSE THAT ARE NOT ARE THE PRE-1996 TRF PLAN, THE OLD POLICE AND FIRE PLANS, AND JUDGES' RETIREMENT SYSTEM. THESE PLANS ARE PAY-AS-YOU-GO AND AS A RESULT, PAY BENEFITS AS THEY BECOME DUE.

The employer contribution rate is the annual contribution rate that the employers must make to fund PERF on a systematic basis. The actuarial valuation process is the mathematical process by which the level percent of payroll contribution rate is determined. In most instances, the actuarially determined contribution includes an amount to cover the benefits that will accrue to members during the next plan year, plus an amount that reduces the differences between the plan's liabilities that have accumulated based on members' prior service and the plan's assets. This is called amortization of the unfunded actuarial accrued liability.

The contribution rate must be sufficient to cover at least: (1) normal cost (the present value of benefits likely to be paid in the future resulting from a member's service being rendered in the current year); plus (2) interest on the unfunded actuarial accrued liability.

PERF's actuaries determine each year the employer contribution rate necessary to meet future liability and contribution projections. In doing so, they make an assumption as to what investment returns are reasonable for the Fund to achieve. For fiscal year 2003, the assumed return is 7.25%. To the extent that actual market earnings are greater than the rate of return established by the Board for the Guaranteed Fund, the earnings associated with the savings account portion subsidize the pension fund, thus lowering the employer contribution required for the pension fund.

The following exhibit shows how the PERF employer contribution rate is established.

Determination of Employer Contribution Rate (as of July 1, 2003)		
A.	Amortization payments for existing Unfunded Liabilities. This represents those amounts needed to pay off the debt generated from liabilities created by past service. Amortization represent payments for past service and are needed with normal cost in order to properly prefund a plan.	$5,490,886
B.	Actuarial Experience Gain. (This is the savings that PERF had from the last Valuation due to favorable experience such as investment earnings better than expected salary increases less than expected, etc.)	$449,034,075
C.	Factor to amortize the Actuarial Experience Gain over 36 years with an interest assumption of 7%. This is based on a mathematical formula used by the PERF actuary that is similar to the amortization of a home mortgage.	7.7035%
D.	The Amortization Payment for the Actuarial Experience Gain [B x C]	$34,591,165
E.	Additional Unfunded Liability due to change in definition of normal retirement to other words, the liability is higher after the change in definition of normal retirement than before the change. This figure represents the difference.	(No plan changes)
F.	The Amortization Payment for additional Unfunded liability due to change in definition of normal retirement [E x C]	--
G.	Additional Unfunded Liability due to change in assumptions in mathematical model. The change results in higher unfunded liabilities. This number represents the difference.	($778,969,728)

H.	The Amortization Payment for the additional Unfunded Liability due to changes in the assumptions in the mathematical model [G x C]	($60,007,629)
I.	Total Amortization Payments [A + D + F + H]	($19,925,578)
J.	Normal Cost (This is the additional cost to fund the liabilities that will accrue during the upcoming year.) Normal cost is equal to the value of participant's total liability at entry age (age at hire) amortized over his/her entire career as a level percentage of payroll. This number increases with the assumed salary scale for every year past entry age.	$186,500,290
K.	The estimated total employer contribution of PERF [I + J]	$166,574,712
L.	The anticipated payroll to be paid to members for the upcoming year.	$3,952,229,523
M.	Employer cost expressed as a percentage of payroll: 100*(K)*1.013/1. (The 1.035 factor is an adjustment to account for the fact that contributions will generally be made throughout the year, in other words, on average, about half-way through the year). The 100 is needed in order to arrive at a percentage. Costs are developed as of the beginning of the year, but since costs come in throughout the year, it is assumed for simplicity purposes that the contributions come in mid-year.	4.4%

The following figure shows the principles behind the advance funding mechanism, and is reprinted with permission of the Harvard Business Review (1996).The author describes the theory and application of Advance Funding of Pension Plans in *The ABC's of Pension Funding.* An excerpt follows:

The Income valve can be viewed as the employer contribution valve, controlled by the employer. Since the flow through this valve will take place much earlier, it provides a "reservoir" for temporarily holding the dollars damned up by the relatively slow opening Benefit Valve. Because these dollars can be invested to create other dollars, another inlet is added to the pension fund, this one labeled Investment Earnings. In the Investment Earnings inlet there is a valve controlled by a float. When the tank is empty, the Investment Earnings Valve is closed and nothing flows through it. As the dollar level rises in the tank, the valve opens. The size of the opening through the Investment Valve is always proportional to the dollar level in the tank.

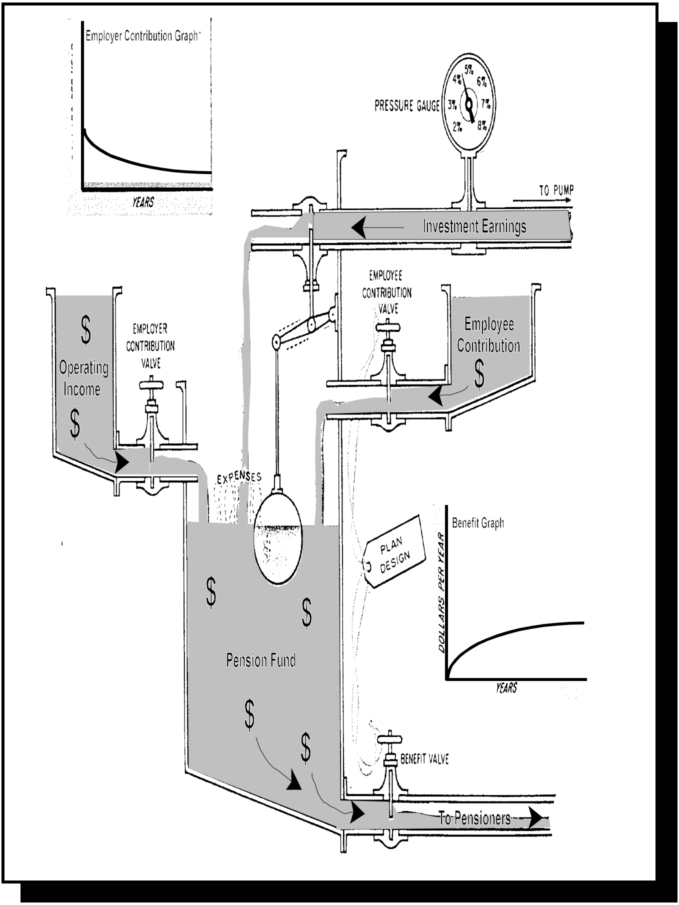
The pressure in the Investment Earnings line is maintained by a pump, but the pressure is not entirely constant. If the gauge were to stay, at say, 7.5% for a year, an amount equal to 7.5% of the dollars in the tank would flow through the valve into the reservoir during the same year. The gauge pressure is intended to represent not only direct earnings in the form of interest or dividends, but also any effect of appreciation or depreciation of assets.

As long as there are any dollars in the tank, and any pressure at all on the gauge, dollars are flowing into the reservoir through the Investment Earnings inlet. The higher the pressure and the fuller the tank, the greater the flow.

To make the picture more general, add another inlet pipe for Employee Contributions. The flow through this inlet, like that through the Benefit outlet is controlled entirely by the terms of the plan itself.

When moneys for employee benefits are accumulated on an advance-funding basis, actuarial valuations are used to compute the contributions required to fund the long-term value of the benefits. Using assumptions about employees and retiree demographics, rate of investment return, and increases in employee compensation over time, the actuary calculates the contributions necessary for the orderly accumulation of assets needed to pay benefits when due.

Figure 2. Principles of Advance Funding.*



*Towbridge, Charles, "The ABC's of Pension Funding", Harvard Business Review, March-April, 1966, pp. 115-126.

INVESTMENT OF PUBLIC RETIREMENT FUNDS

During the 1995 Session, the General Assembly passed Senate Joint Resolution 4, which contained a proposed amendment to the Indiana Constitution concerning investment of public retirement funds. Article 11, Section 12 of the Indiana Constitution prohibited the State from becoming "a stockholder in any corporation or association." This provision had been interpreted as prohibiting state public retirement funds from investing in equities. The proposed amendment was to add the following language to Article 11, Section 12: "However, the General Assembly may by law, with limitations and regulations, provide that prohibitions in this section do not apply to a public employee retirement fund."

The question of whether the proposed constitutional amendment should be effective was voted on by Indiana voters in the November 1996 general election. The proposed amendment was ratified by a majority of the state's voters voting on the question, and the amendment has therefore been adopted and is in effect.

In 1997, the General Assembly enacted P.L.39-1997 (HE 1036), which provided that the provisions in Article 11, Section 12, of the Indiana Constitution prohibiting the state from becoming "a stockholder in any corporation or association" do not apply to state's public pension plans.

LIMITATIONS ON PUBLIC RETIREMENT FUND INVESTMENTS

Investments of the Public Employees' Retirement Fund, the Indiana State Teachers' Retirement Fund, the Indiana State Police Pre-1987 and 1987 benefit systems, and any other public employee retirement fund administered by the PERF Board are subject to certain limitations and regulations.

The investments of PERF (and any other public employee retirement fund administered by the PERF Board) and TRF are subject to the provisions in IC 5-10.3-5-3 (for PERF) and IC 21-6.1-3-9 (for TRF), which requires each of the Boards to invest its assets with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. Each Board is also required to diversify its investments in accordance with prudent investment standards.

The PERF Board is also specifically authorized to invest up to 5% of the excess of its cash working balance in debentures of the Corporation for Innovation Development.

Any management agreements entered into by a Board concerning real property must ensure that the management agent acts in a prudent manner with regard to the purchase of goods and services. Contracts for the management of investment property are required to be submitted to the Governor, the Attorney General, and the Budget Agency for approval. A contract for management of real property as an investment may not exceed a four-year term, must be based upon guidelines established by the Board, and are subject to other statutory requirements.

State Police Benefit System

Investments of the Indiana State Police Benefit System are subject to IC 10-1-2-2, which provides that the pension trust fund may not be commingled with any other funds and must be invested only in accordance with Indiana laws for the investment of trust funds, together with other investments that are specifically designated in the pension trust.

Subject to the terms of the pension trust, the trustee of the trust fund, with the approval of the State Police Department and the Pension Advisory Board, may establish investment guidelines and limits on all types of investments (including, but not limited to, stocks and bonds) and take other action necessary to fulfill its duty as a fiduciary.

The trustee is required to invest the trust fund assets with the same care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The trustee is also required to diversify the investments in accordance with prudent investment standards.

DEFINITIONS OF TECHNICAL TERMS

Actuarial Assumptions--Actuarial assumptions are those used in actuarial calculations to forecast uncertain future events or experience.

Actuarial Cost--A cost is characterized as actuarial if it is derived through the use of present values. An actuarial cost is often used to associate the costs of benefits under a retirement system with the approximate time the benefits are earned.

Actuarial Cost Method--An actuarial cost method is a particular technique for establishing the amount and incidence of the actuarial cost of retirement system benefits, or benefits and expenses, and the related actuarial liabilities.

Actuarial Equivalent--An actuarial equivalent is a benefit having the same present value as the benefit it replaces.

Actuarial Experience Gains and Losses--Actuarial experience gains or losses are the effects on actuarial costs of deviations between the past events predicted by actuarial assumptions and the events that actually occurred.

Actuarial Liability--The actuarial liability of a retirement system at any time is the excess of the present value of all benefits thereafter payable under the system over the present value of future normal costs.

Ad Hoc Postretirement Adjustment--An ad hoc postretirement adjustment is a function that establishes a schedule of nonrecurring increases in retirement allowances.

***Advance Funding–**An approach to funding retirement or other benefits whereby the employer sets aside monies for each employee or for the group of active employees as a whole on some systematic basis during their working years.

***Adverse Selection**–The tendency of an individual to recognize his or her health status in selecting the option under a retirement system or insurance plan that tends to be most favorable to him or her (and more costly to the plan).

Age Retirement--Age retirement is normal retirement dependent upon attainment of a specified age.

Annual Supplemental Cost--The annual supplemental cost for a given year is the portion of the supplemental cost and interest on it allocated to such year.

Annuity--An annuity is a series of periodic payments, usually for life, payable monthly or at other specified intervals. The term is frequently used to describe the part of a retirement allowance derived from a participant's contributions.

Annuity Conversion Rate--An annuity conversion rate is a factor used to determine the amount of annuity payable for each dollar of a participant's contributions accumulated to the date of retirement. Annuity conversion rates generally vary by age and sex.

Antiselection--Antiselection is the tendency of a person to recognize his health status in selecting the option under a retirement system which is most favorable to himself. In insurance usage the term generally refers to the tendency of a person in an impaired health status to apply for an insurance contract favorable to himself and detrimental to the insurance company.

Automatic Postretirement Adjustment--An automatic postretirement adjustment is a program providing for recurring adjustments in retirement allowances on a regular basis.

***Average Annual Compensation**–An employee's average annual compensation is his or her annual compensation averaged over at least three consecutive years, under a uniform rule for all employees. For this purpose, it is acceptable to use for each employee the period of consecutive years which will produce his or her highest average.

***Benefit Multiplier–**A percentage that is multiplied by a participant's salary/pay to determine a monthly benefit.

***Cash Balance Plan**–A defined benefit plan that simulates a defined contribution plan. Benefits are definitely determinable, but account balances are credited with a fixed rate of return and converted to a monthly pension benefit at retirement.

Conditional Vesting--Conditional vesting is that form of vesting under which entitlement to a vested benefit is conditional upon the nonwithdrawal of the participant's contributions.

Conglomerate System--A conglomerate system encompasses several governmental units, such as the cities and towns of a state.

***Constructive Receipt–**Federal tax law doctrine that maintains compensation becomes taxable when it is made available to the taxpayer, even though it has not actually been received. If an employee can choose between immediate taxable income or a deferred income or benefit, the employee is in constructive receipt of the income.

Consumer Price Index--The Consumer Price Index is the name given in both the United States and Canada to the series of numbers whose ratios measure the relative prices at various times of a selected group of goods and services which typify those bought by urban families.

Contributory System--A retirement system is contributory if its members must aid in its financing by making periodic contributions, usually as a payroll deduction.

Cost of Living--Cost of living is the average cost of the goods and services required by a person or family. Compare Living Standard.

***Cost of Living Adjustment**– An across-the-board increase (or decrease) in wages or pension benefits according to the rise (or fall) in the cost of living as measured by some index, often the Consumer Price Index (CPI).

Current Disbursement Cost Method--See Pay-As-You-Go Method.

***Deferred Retirement Option Plan (DROP)**-- An optional payment form under a defined benefit plan that allows a participant to elect to receive a lump sum in exchange for a reduced monthly benefit for life.

Defined Benefit--A benefit program uses defined benefits if benefits to be received by employees after retirement are predetermined by a formula. The employer's contributions under such a program are determined on the basis of the benefits that are thus payable.

Defined Contribution--A benefit program uses defined contributions when the rate of contribution of the employer (or employee) is fixed and the benefits to be received by employees after retirement are dependent to some extent upon such contributions. The type of defined contribution program most common among public employee retirement systems is the money purchase benefit program.

Disability Retirement--Disability retirement is a termination of employment, generally involving the payment of a retirement allowance, as a result of an accident or a sickness occurring before a participant is eligible for normal retirement.

Early Retirement--Early retirement is a termination of employment involving the payment of a retirement allowance before a participant is eligible for normal retirement. The retirement allowance payable in the event of early retirement is often lower than the accrued portion of the normal retirement allowance.

***Entry Age Actuarial Cost Method**–Also called *entry age normal actuarial cost method.* A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the *normal cost.* The portion of this actuarial valuation not provided for at a valuation date by the present value of future normal costs is called the *actuarial accrued liability*. Under this method, the actuarial gains (losses) are reflected as they occur in a decrease (increase) in the unfunded actuarial accrued liability.

***Flexible Spending Accounts (FSAs)**–Many flexible benefit programs include flexible spending accounts, which give employees the opportunity to set aside pretax funds for reimbursement of eligible tax-favored welfare benefits. FSAs can be funded through salary reduction, employer contributions, or a combination of both.

Final Average Salary--Final average salary is that measure of a participant's level of earnings which is based on his average rate of salary for a specified period of time, usually the three, five, or ten years immediately preceding retirement. A participant's final average salary may be one of the factors used in determining the amount of his benefits.

***Fully Funded**–A specific element of pension cost (for example, past service cost) is said to have been fully funded if the amount of the cost has been paid in full to a funding agency. A pension plan is said by some to be fully funded if regular payments are being made under the plan to a funding agency to cover the normal cost and reasonably rapid amortization of the past service cost.

Funding--Funding is a systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.

***Immediate Vesting**–That form of vesting under which right to vested benefits are acquired by a participant, commencing immediately upon his or her entry into the plan.

***Letter Ruling**–A private letter ruling by the IRS in response to a request from a taxpayer about the tax consequences of a proposed or completed transaction. They are not considered to be precedents for use by taxpayers other than the one who requested the ruling, but they do give an indication of the current attitude of the IRS toward a particular type of transaction.

****Lump-Sum Distribution**–A lump–sum distribution is the distribution or payment, within a single tax year, of a plan participant's entire balance from all of the employer's qualified plans of one kind (pension, profit-sharing, or stock bonus plans). If the participant has more than one account in any category, all the accounts must be distributed

Mechanism of Postretirement Adjustment--The mechanism of a program of postretirement adjustments is the technique used to determine the amount of the adjustment. The mechanism may involve a formula which is based on salaries, investment yields, or other indexes.

***Medical Savings Account (MSA)**–A savings account that can be used to pay medical expenses not covered by insurance for employees of small businesses or self-employed individuals who are covered under health plans with high deductibles. Employers with small groups MSAs may make contributions on behalf of employees, or employees may make the entire contribution. Employee contributions are tax-deductible.

Member--See Participant.

Modified Refund Annuity--A modified refund annuity is a form of retirement allowance which provides a benefit upon the death of a retired employee equal to the excess, if any, of the amount of his own contributions over the total retirement allowance payments he received prior to his death.

Money Purchase--A money purchase benefit program is a type of defined contribution benefit program. Under such a program, the employer's or employee's contributions are usually accumulated to the employee's benefit and the retirement benefit payable to him is the actuarial equivalent of the sum so accumulated.

Noncontributory--A retirement system is noncontributory if no contributions are required of its members to aid in its financing.

Normal Cost--The normal cost is the current value of benefits likely to be paid on account of members' service being rendered in the current year.

Normal Retirement--Normal retirement is a termination of employment involving the payment of a regular formula retirement allowance without reduction because of age or service and without special qualifications such as disability.

Normal Retirement Date--The normal retirement date is the earliest date at which a participant qualifies for normal retirement.

OASDHI--OASDHI refers to the Federal Old-Age and Survivors Disability, and Health Insurance, the social security program in the United States. See Social Security.

Participant--A participant (sometimes called a member) in a retirement system is an employee or a former employee who may become eligible to receive or is receiving benefits under the system.

***Past Service Funding**–Method of funding the past service liability. This cost may be amortized over a period of years. The Internal Revenue Code specifies that the employer may not deduct more then one-tenth of the original liability in any one year for income tax purposes. The minimum contribution that must be made for past service is the payment into the pension fund of interest on the unfunded past service liability.

Pay-As-You-Go Method--The Pay-As-You-Go Method (some-times called "current disbursement cost method") is a method of recognizing the costs of a retirement system only as benefits are paid.

Pension--A pension is a series of periodic payments, usually for life, payable monthly or at other specified intervals. The term is frequently used to describe the part of a retirement allowance financed by employer contributions. Compare Annuity.

Postretirement Adjustment--A postretirement adjustment (sometimes referred to as a "cost-of-living adjustment" or "COLA") is a change (usually an increase) in the amount of a retirement allowance after its commencement to reflect changes or anticipated changes in the cost of living or in living standards.

Present Value--The present value (sometimes called actuarial present value) of an amount or series of amounts payable or receivable in the future is their current worth after discounting each such amount at an assumed rate of interest and adjusting for the probability of its payment or receipt.

Prior Service Cost-- A prior service cost is a type of supplemental cost arising under some actuarial cost methods because of benefits provided for service prior to the establishment of a retirement system.

Refund Annuity--A refund annuity is a form of retirement allowance which provides a benefit upon the death of a retired employee equal to the excess, if any, of the amount of his own contributions over the total annuity payments (derived from these contributions) he received prior to his death.

Retirement Allowance--A retirement allowance is a series of payments, usually for life, payable monthly or at other specified intervals. The term is used to describe the entire benefit payable, including both the annuity derived from the participant's accumulated contributions and the pension financed by the employer's contributions.

Scope (of Postretirement Adjustment)--The scope of a program of postretirement adjustments defines the program's applicability (as to persons and benefits) and whether the adjustments are ad hoc, automatic, or both.

Service Retirement--Service retirement is normal retirement dependent upon completion of a specified period of service. In some usages, the term has the same meaning as normal retirement.

Social Security--Social Security is a federal program of old-age benefits and survivors' and disability benefits covering most workers in the country. In the United States, Social Security benefits are provided by OASDHI.

Spouse's Benefit--A spouse's benefit (sometimes called a widow's benefit) is a retirement allowance payable to the spouse of a participant following the participant's death before retirement.

***Supplemental Benefits**–Benefits provided by a pension plan in addition to regular retirement benefits. Supplemental benefits vary according to the terms of a plan and include such items as the payment of benefits in the event of termination, death, disability, or early retirement.

Supplemental Cost--A supplemental cost is a separate element of actuarial cost which results from future normal costs having a present value less than the present value of the total prospective benefits of the system. Such supplemental cost is generally the result of assuming that actuarial costs accrued before the establishment of the system. A supplemental cost may also arise after inception of the system because of benefit changes, changes in actuarial assumptions, actuarial losses, or failure to fund or otherwise recognize normal cost accruals or interest on supplemental cost.

Thirteenth Check--A thirteenth check is an annual supplemental retirement allowance arising from earnings on the investments of a system in excess of those determined as needed for other purposes. Unlike a cost-of-living adjustment, the amount of this supplemental retirement allowance does not increase the pension base.

Unfunded Actuarial Liability--The unfunded actuarial liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability as that time over the value of its cash and investments.

Vested Benefits--Vested benefits are those whose payment is not contingent upon a participant's continuation in specified employment.

Widow's Benefit--See Spouse's Benefit.

Withdrawal--Withdrawal is the termination of employment prior to becoming eligible for any benefits. The term sometimes refers to subsequent termination of membership in a system by withdrawal of the employee's available accumulated contributions from the system.

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**Internal Revenue Service Web Page Definition.

FUNDS DIRECTORS/CONTACTS

Public Employees' Retirement Fund

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In addition to administering the Public Employees' Retirement Fund, PERF also administers the following retirement funds:

The Judges' Retirement System
The State Excise Police and Conservation Enforcement Officers' Retirement Fund
The 1925, 1937, & 1953 Police Officers' and Firefighters' Pension Funds
The 1977 Police Officers' and Firefighters' Pension Fund
The Prosecuting Attorneys Retirement Fund
The Legislators' Retirement System

Indiana State Teachers' Retirement Fund

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State Police Funds

Indiana State Police
Indiana Government Center North
100 North Senate Avenue
Indianapolis, IN 46204
(317) 232-8347
(317) 232-5682 Fax

Governors and Surviving Spouses Pension Fund

Jeff Heinzmann
State Auditor's Office
State House, Room 240
Indianapolis, IN 46204
(317) 233-1712
(317) 233-2794 Fax

Sheriffs Pension Funds

Contact the local County Sheriff's Department for details on a particular county's plan.

McCready and Keene, Inc., actuaries for:

The Police and Fire Pension Funds
The Judges' Retirement System
The Prosecuting Attorneys Retirement Fund
The Legislators' Retirement System
The State Police Funds
The Public Employees' Retirement Fund
The State Excise Police and Conservation
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